

هكذا من الزميل

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# FINANCIAL TIMES

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Europe's Business Newspaper

MONDAY, NOVEMBER 15, 1993

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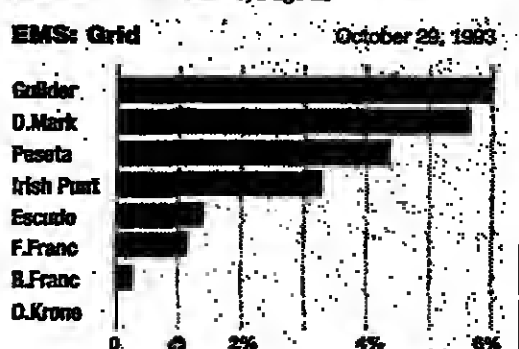
## Airlines expected to lose \$2.4bn worldwide this year

Airlines are expected to lose a further \$2.4bn on international scheduled services this year, after losing \$11.5bn over the past three years, the International Air Transport Association says in its annual report. At best, the industry is expected to break even next year, with the possibility of a reasonable profit in 1995 or 1996. Page 12; Britain bans Polish carrier in flights row, Page 3; Slow recovery on the runway, Page 10

**Delors may not seek French presidency**  
European Commission president Jacques Delors, 68, hinted that he may not stand in the French presidential election in spring, 1995. His suggestion that he may bury his ambitions to enter the Elysée defines his continuing strong showing in French opinion polls. Page 12

**Stronger yen hits shipbuilders**  
Japan's shipbuilders have increased profits over the last three years against the trend of most companies' earnings, but their first-half results this year suggest that the yen's appreciation has left them facing a period of restructuring. Page 15

**European Monetary System: Currencies within the EMS grid stabilised as the D-Mark recovered following the Bundesbank's recent interest rate cut and after strikes in Belgium and France. The disparity between the Dutch guilder at the top of the grid and the Danish krone at the bottom widened to just over 6 per cent as investors adjusted their positions at the end of the month. Currencies, Page 25**



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 1.5 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

**Jews set fire to Arab homes**  
Jewish settlers in the West Bank set fire to Arab homes, stoned cars, blocked roads and burnt tyres in response to the murder of a Jewish settler by Islamic militants in the Gaza Strip, an Israeli official said. A Palestinian who had stabbed him. Page 4

**Doubts over Renault-Volvo deal**  
Volvo's institutional shareholders harbour doubts about the proposed merger of the Swedish group's car and truck operations with Renault, French state-owned vehicle builder, which is due to be agreed this week. Page 13

**Haiti plans provisional presidency**  
Haiti's military leaders, who defied international efforts to have exiled President Jean-Bertrand Aristide reinstalled, plan to replace him with a provisional president and then call a presidential election. Page 6

**Ferranti shareholders resist GEC offer**  
Rebel shareholders of troubled UK defence electronics group Ferranti International have commissioned an investment consultancy to examine ways of resisting a takeover offer from GEC which would give them only 1p a share. Page 14

**Iran's oil price warnings**  
Iran warned the Organisation of Petroleum Exporting Countries that it would have to re-examine its September output agreement and cut its ceiling if oil prices did not recover. Page 4

**Ex-KGB man quizzed in Britain**  
British police questioned former Soviet KGB general Oleg Kalugin about the 1978 murder in London of Bulgarian dissident Georgy Markov, who died four days after being jabbed in the leg by a poisoned umbrella as he waited for a bus.

**Bethlehem Steel of the US has awarded British Steel its first overseas contract for a pioneering technology that reduces the amount of coke needed in blast furnaces. Page 6**

**China executes officials**  
Seven Chinese officials were executed, including the mayor of a town in southern Henan province, as a nationwide anti-corruption drive gathered pace. Page 4

**Federico Fellini dies in Rome at 73**  
Film director Federico Fellini died in Rome after two weeks in a coma. He was 73. His most famous films were *La Strada*, *La Dolce Vita*, *The Nights of Cabiria*, *8 1/2* and *Amarcord*. He won five Oscars, including one for life-time achievement. Obituary, Page 9

**River Phoenix dies**  
US film actor River Phoenix collapsed and died in Los Angeles, aged 23. He made his mark as a child actor in *Stand By Me* and appeared in *Indiana Jones and the Temple of Doom*, *The Mosquito Coast*, *Little Ninja* and *Sneakers*.

## National party abandons demand for constitutionally enshrined veto power

# S African government gives ground to ANC

By Patti Waldmeir in Johannesburg

Crunch time for South Africa's power-sharing constitution  
Page 4

SOUTH AFRICA's ruling National party appears to have abandoned its demand for a constitutionally enshrined veto in a government of national unity to be headed by Mr Nelson Mandela if his African National Congress wins the country's first all-race general election next April.

Joint proposals, which will be incorporated in a draft of the constitution due to be released today, show that the government has given substantial ground in its negotiations with the ANC on a new constitution. The National party would have little constitutionally entrenched power to block majority decisions.

In an earlier draft, the party was guaranteed what amounted to a veto in the areas of budget, finance and security.

The proposals call for multi-party power sharing in a

five-year national unity government. However, the long-ruling National party, which speaks for minority interests and is likely to come second in next year's elections, now seems to have accepted a form of voluntary rather than enforced power sharing, with President F W de Klerk appearing to rely on assurances from Mr Mandela that fundamental decisions will not be taken without his approval.

If the ANC wins the general election set for next April, Mr Mandela would become president of South Africa. Unless the National party electoral support is drastically eroded, Mr de Klerk is likely to become second deputy president, alongside a first deputy president also from the ANC.



African National Congress leader Nelson Mandela could be president of South Africa after April elections

If Mr de Klerk disagrees with the ANC, he can try to muster support from allies to outvote it in the cabinet. He is likely to need 40 per cent support to block the ANC, which still might not guarantee him automatic veto power.

Dissent surfaced within Mr de Klerk's National party about the outcome of the talks. One influential party member said the proposals would leave the party "at the mercy of the ANC".

The proposals also offer only limited powers to provincial

assemblies. They are likely to reinforce fears of many whites and harden the opposition of Chief Mangosuthu Buthelezi and his Inkatha Freedom Party which demands a quasi-independent status for Natal province, the IFP stronghold. The IFP and its white partners in the right-wing Freedom Alliance have been given 10 days to respond to the proposals.

Freedom Alliance officials condemned the proposals released yesterday, saying they did not devolve sufficient powers to regional governments.

ANC and government negotiators expect to wrap up three years of off-on constitutional negotiations later this week, completing proposals on how a constitution should be written (the document on the table is an interim constitution of up to five years' duration); on the composition of a constitutional court, and local government.

They will present the document as a final offer to the Freedom Alliance, which includes the IFP and the white Conservative party.

## Dublin puts pressure on Ulster Unionists

By Kevin Brown in London and Tim Cooney in Dublin

THE IRISH government yesterday tried to add to the momentum behind the Northern Ireland peace process by stepping up pressure on Unionist leaders to join round table talks on the province's future, in the wake of Saturday's murder of seven people by the Loyalist Ulster Freedom Fighters.

Mr Albert Reynolds, the Irish prime minister, said he was determined not to allow the process to be derailed by the killings in a bar in Graystee, Co Derry. The initiative was rejected by Mr Peter Robinson, deputy leader of the hardline Democratic

Unionist party, who warned that Northern Ireland was close to civil war.

Terrorists from both sides have killed 23 people in the last two weeks in a cycle of violence triggered by last weekend's bombing of a shop in Belfast which killed 10 people. The violence continued yesterday when an RUC officer was wounded in Newry.

Mr Reynolds said Unionists had "nothing to fear" from the initiative launched by the British and Irish governments in Brussels on Friday.

He said: "As long as a majority of the people of Northern Ireland wish the present status to remain, that's the way it will be." Mr Dick Spring, the Irish for-

eign minister, said he hoped to set up a series of meetings with Unionist leaders, probably lasting up to 12 months.

But Mr Robinson said the joint statement issued by the two prime ministers was "an endorsement of the six-point plan for a united Ireland laid out last week by Dick Spring."

"Whoever it was aimed at, it was not aimed at Unionists because it is adopting a nationalist agenda."

However, ministers were heartened by the restrained reaction of Mr James Molyneux, leader of the official Ulster Unionist party (UUP), who has made no public comment.

The British government

believes that constitutional guarantees and changes to parliamentary procedures for Northern Ireland legislation may persuade Mr Molyneux to take part in the talks.

The government is moving to set up a Commons committee on Ulster, and may also scrap the use of non-amendable orders in council for Northern Ireland legislation.

However, other UUP leaders remained wary. Mr David Trimble, the party's home affairs spokesman, said Mr Spring was guilty of "self-deception".

Mr John Major is expected to make a statement on the peace initiative in the Commons today, probably as part of a wider report

on the EC summit in Brussels.

The prime minister is expected to distance the Anglo-Irish initiative from the peace proposals produced by Mr John Hume, leader of the nationalist SDLP, and Mr Gerry Adams, president of Sinn Féin, the political wing of the IRA.

Mr Hume said in a series of interviews that the SDLP/Sinn Féin proposals remained the best prospect for peace in Northern Ireland. He said it was "difficult to accept" that the Hume-Adams proposals had been dismissed by the British and Irish governments.

Mr Hume accused Mr Major of

Continued on Page 12

Continued on Page 12

## Terror at the Saturday dance

By Our Belfast Correspondent

IT WAS an all too familiar sight. Fearful women and children laying flowers at the scene of yet another terrorist atrocity in Ulster.

Last weekend it was the Shankill Road, on Tuesday a cleansing depot in west Belfast and late on Saturday night the tightly-knit community of Greyhound in Co Londonderry was

plunged into mourning. It was business as usual on Saturday night at the Rising Sun bar and restaurant complex at the northern end of the village. The streets were bedecked with the red and white bunting of the county's Gaelic football team, which recently won the All-Ireland championship.

That had contributed to a mood of optimism in Derry in recent months. The county had

been relatively trouble-free in comparison with the rest of the province. Intensive lobbying from US politicians had brought money and jobs.

Customers were packed into the lounge of the Rising Sun waiting for the band to start, shortly after 10pm, when the killers struck. Two gunmen from the outlawed loyalist para-mil-

Continued on Page 12

## De Benedetti lawyers attack magistrates' arrest order

By Robert Graham in Rome

LAWYERS for Mr Carlo De Benedetti, the head of Olivetti, were seeking to make arrangements yesterday for him to hand himself over to Rome magistrates to answer corruption charges.

Mr De Benedetti was outside Italy when an arrest warrant was issued in Rome on Saturday. His lawyers, who expressed "amazement" at the warrant, said Mr De Benedetti would "simply follow his usual approach and present himself to the judges to answer their questions".

Lawyers were seeking to determine whether Mr De Benedetti would be obliged to spend time in jail before being questioned. With a public holiday today, they initially suggested that Mr De Bene-

detti should hand himself over on Tuesday.

The arrest warrant for Mr De Benedetti has provoked consternation in Italy among lawyers and businessmen as well in the media - not least in the daily *La Repubblica*, which Mr De Benedetti also owns.

At Ivrea, the headquarters of Olivetti, the unions voiced concern over the future of this telecommunications and office equipment group, which made first-half losses of L168bn (\$68.7bn) and is undergoing a restructuring.

The magistrates' move against one of the most prominent figures in Italian business also comes at a moment of increasing confusion as Italy's discredited political parties disintegrate.

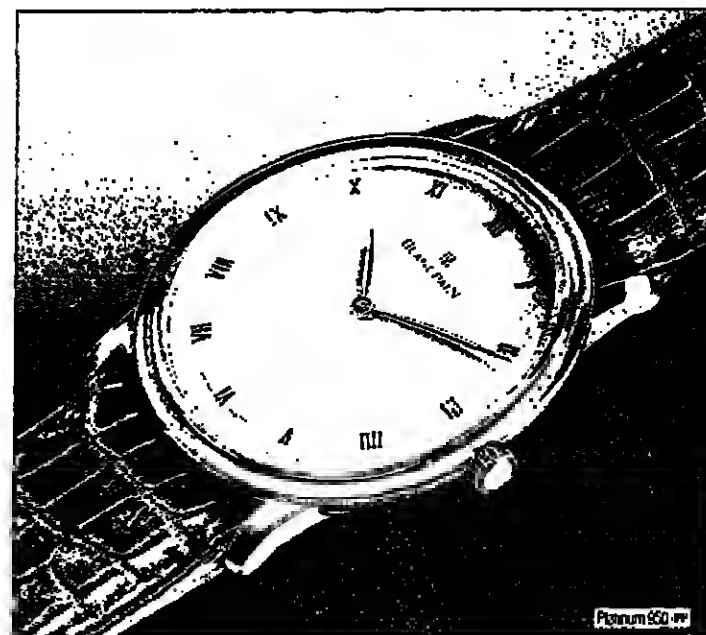
The charges against Mr De Benedetti relate to payments of L10bn made to secure ministry of posts contracts for teleprinters between 1988-91. Those have already been investigated by Milan magistrates to whom Mr De Benedetti made detailed statements in May. At the time, the Milan magistrates decided against issuing an arrest warrant.

Investigations into the post ministry have since become the competence of Rome magistrates. They have hinted that they have acquired new information suggesting that payments to secure contracts went back to 1983.

More seriously for Mr De Benedetti, the Rome magistrates have

Continued on Page 12

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Sweden	Sw100	Swedish	100	Swedish	100	Swedish	100	Swedish	100
Switzerland	Sw100	Swiss	100	Swiss	100	Swiss	100	Swiss	100
UK	UK100	British	100	British	100	British	100	British	100
USA	US100	American	100	American	100	American	100	American	100



## NEWS: INTERNATIONAL

# Winter of discontent looms as Europeans battle over jobs

WORKERS across Europe appear to have taken strength from the spectacular victory of Air France employees in forcing a government climbdown last week over cost-cutting plans for the troubled airline.

In Germany, Belgium, Italy, Spain and France, employers are facing increasing militancy as they demand job cuts and flexibility in an attempt to prune costs.

Much of the recent disruption is about job security rather than pay, and it has been directed at governments rather than private sector employers. But the wave of protest reveals potentially ominous developments for industrial peace in Europe.

The decline of trade union power in Europe appears to be no guarantee of harmony and may, indeed, have the opposite effect. France, the centre of recent disruption, has the lowest level of unionisation among countries in the Organisation for Economic Co-operation and Development.

Unionisation is higher in the French public sector than in the private sector but the weak hold that union leaders have over the rank and file, even in the public sector, prevented an early conclusion of the dispute at Air France.

All of the national protests have domestic roots, but the domino effect seems to be playing a part. In Spain and Belgium in particular, two countries strongly influenced by France, union militancy seems to have been fuelled by the success of their French colleagues.

In France itself, while the airline strike has ended, the dispute is far from over. Fresh negotiations on a new package start this week. Force Ouvrière, one of the unions which spearheaded the Air France

the threat of mass redundancies, efforts by employers to cut labour costs, and sharp reductions planned in public spending, not least in social benefits.

The key is the looming confrontation in the 4m-strong engineering industry, where the employers have symbolically announced the termination of current wage and holiday contracts, due to expire anyway at the end of the year.

IG Metall, the engineering workers' union, has called for

strated against the planned closure of the Haus Aden-Monopol pit at Bergkamen, and two weeks ago, workers occupied a power station nearby which is threatening to switch to cheap imported coal.

On Friday, unemployed workers demonstrated in more than 200 towns and cities across the country at the "destruction of the welfare state".

Among the threatened job losses are those of 14,000 at Mercedes for next year, after cuts of 22,000 in 1992 and 1993. A further 16,000 are set to go at Deutsche Aerospace. In the machine tool sector almost 50,000 jobs will be shed.

In Spain, union leaders meet government ministers on Thursday to discuss wage restraint and more flexible labour regulations but demonstrations are already planned for later this month over the very economic policies they are ostensibly negotiating.

"There is no objective reason why what is happening in France and Italy will not happen here as well," said a member of the employers' confederation who is attending the talks.

Faced with rising unemployment, the government wants to peg wage rises over the next



Striking Air France staff last week - does their successful action herald a winter of discontent?

three years to below annual inflation levels.

The unions are adamant that job security should be protected. The issue has surfaced at SEAT, Volkswagen's troubled Spanish subsidiary, where 9,000 jobs are to go.

Unrest over wage restraint is highest among 70,000 steelworkers at the state-owned INI group, following a management decision to delay salary rises.

In both Spain and Belgium the unions appear determined

to reject "social pacts" restraining wages, which are ostensibly designed to create jobs. In Spain, the pact also involves an overhaul of costly dismissal procedures and in Belgium a reduction in employers' social security payments.

Such a development bodes ill for the job creation proposals which are emerging from the European Commission in Brussels.

The main argument is that the proceeds of growth have to be shared more widely and not appropriated by those in secure jobs.

But unions throughout Europe fear there is no guarantee that wage restraint will create jobs.

## Four-day week 'no solution on jobs'

BUSINESS leaders in Germany warned at the weekend that introducing a four-day week in crisis-hit sectors of industry, as proposed by managers at Volkswagen, could prove counter-productive, writes Quentin Peel in Bonn.

Trade union leaders are divided over the plan. There have been calls for similar action in the aerospace and coal mining industries to avert threatened mass redundancies. Yet the unions insist workers cannot be expected to suffer a 20 per cent cut in their wages. Volkswagen begins negotiations this week on the option between a four-day week for its 108,000-strong workforce, or a loss of 30,000 jobs.

Mr Hans-Peter Stihl, president of the chambers of industry and commerce (DIHT), said the four-day week was "fundamentally a step in the wrong direction". "In the future we must work more, not less, if we want to remain competitive," he told the Bild am Sonntag newspaper. The four-day week only made sense if it was part-time working, with a corresponding cut in wages.

Mr Tyll Necker, president of the German industry federation (BDI), said that German industry needed cuts in real wages, not in working hours.

Mr Klaus Murrmann, chairman of the employers' federation (BDA), warned last week that a four-day week was no panacea. "The necessary job reduction caused by the twin burden of recession and structural crisis may be slowed down, but it cannot be stopped."

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## The European Union slips quietly into life

Lionel Barber on the Maastricht treaty, which takes effect today

THE 340m citizens of the European Community may hardly have noticed, but despite the absence of fanfare, history will record that Monday, November 1, 1993, marked the entry into force of the Maastricht treaty and the birth of the European Union.

Maastricht provides for small, but potentially significant changes in how Europe does business. It will increase the powers of the European parliament, and deepen collaboration between governments on drugs, immigration and crime. It also lays the groundwork for greater co-operation on foreign policy, and provides for a move to a single European currency by 1999 at the latest.

Some of these changes look incremental; others such as the move to European economic and monetary union look doubtful, at least in the light of the recent *de facto* suspension of the exchange rate mechanism.

Maastricht's proponents insist that the treaty is one of the most misunderstood documents in modern times, perhaps because it is about as readable as a London bus timetable. Yet the opaque, bureaucratic language reflects the ambiguity inherent in a treaty which was a compromise between federally minded states such as the Netherlands and Belgium and those who jealously guard national sovereignty such as the UK and France.

The treaty contains suggestions for intensifying European co-operation on education, health and culture; but it sets clear limits against centralising tendencies in Brussels. The doctrine of subsidiarity - devolving power to the lowest appropriate national and regional level - is a double insurance for member states.

The hybrid nature of Maastricht also means that the European Community will still exist beside the new European Union. Roughly speaking, Europeans should speak of the Union when referring to the "intergovernmental" pillars of foreign policy and judicial co-operation; but they should retain the more familiar "EC" or "Community" when referring to normal EC business under the Treaty of Rome.

The obvious winner among institutions is the European Parliament. Under Article 189, it gains the right of "co-decision" on legislation, to be shared with the council of ministers. This does not extend to core areas such as foreign policy, defence, judicial co-operation or economic policy, rather to more mundane matters such

as the internal market. A senior Commission official predicts that the legislative struggle between EC ministers and parliament could make decision-making more difficult in the short-term. One analogy is the bargaining between House and Senate in the US, with the Commission playing the broker.

Other important changes foreshadowed by the Maastricht treaty include:

- More qualified majority voting in social policy legislation. Britain has a treaty opt-out, but remains involved in discussions.

- The right of EC citizens to vote or stand as a candidate in local and European parliament elections.
- Establishment of "joint actions" in foreign and security policy, a code word for less reactive diplomacy rather than the dispatch of combat troops. Maastricht also provides for closer collaboration between the European Union and the Western European Union, the military organisation based in Brussels.

- The creation of a committee of the regions. This reflects the influence of the German Länder who were anxious not to be left out in the cold; but it could again complicate decision-making if the new body gains status.

The one institution which will be literally cut down to size is the European Commission. Under Maastricht, the Commission should comprise the president (Mr Jacques Delors) and one or two vice-presidents only, rather than the current six "peeps".

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## Yeltsin land law will attract foreign cash

By John Lloyd in Moscow

PRESIDENT Yeltsin's decree permitting land to be freely bought and sold is likely to unleash a revolution in the Russian countryside and lead to large foreign investment.

However, ambiguities in the law and action by officials hostile to land privatisation could delay or even halt its intended effect, by preserving the power of state and collective farms and preventing peasants from selling their share of farms.

Mr Yuri Chernichenko, leader of the pro-market Peasants' Party, said the decree would be meaningless unless the state pushed through collective farm sales and supported individual farmers.

Earlier decrees have cut subsidies to state farms, stopped

easy loans and ordered an end to obligatory grain sales to the state - causing state farm leaders to forecast a crisis unless they receive funding. The decree, by allowing farm workers to sell and buy land, gives an incentive to create private farms which could take over from the state enterprises.

The decree appears to allow foreigners to buy land through joint ventures.

Mr Mark Borghesani of US lawyers Baker, McKenzie, said: "There is nothing in the law to prevent a foreign company buying out its Russian partner after the joint venture has acquired land. This could lead to transactions in which the Russians would be nominal purchasers on behalf of the foreign company."

While the bulk of the decree

was aimed at privatising land for agricultural use, one section allows local authorities to change the use from agricultural to commercial, Mr Borghesani said. "There is now definitely a growing demand for premises - including manufacturing bases on greenfield sites. Leases are now being signed with the option to buy later - in anticipation of the land law coming into force."

However, the decree will also spark efforts to protect the present system. The Agriculture Ministry has criticised the decree as ill-thought out and premature. A senior ministry official said: "Without a precise mechanism to control the land market and give permission to sell land, farm managers can do as they please and that could breed chaos."

## German far-right launches Euro-campaign



Police arrest a young militant after scuffles with police

By David Walker in Rastatt

POLICE armed with machine guns stopped and searched cars as they approached the outskirts of Rastatt in south-west Germany yesterday. Helicopters buzzed overhead and hundreds of green-clad riot-police milled about the streets.

The reason was the gathering of the Republicans, one of Germany's most prominent far-right parties and a disconcerting threat to the country's political establishment in next year's "election marathon", when there will be no fewer than 19 elections in Germany.

Mr Franz Schönhuber, the former Waffen SS sergeant who heads the party, to applause from 500-plus delegates declared the campaign for the election to the European parliament under way.

His message, well-tempered to the ears of the shopkeepers, small-businessmen and retired policemen and soldiers who

swell the party's ranks, was that the Maastricht treaty on European integration was a "Versailles without war", an agreement which had sold Germany's interests down the river as effectively as the Treaty of Versailles which followed the First World War.

The German Volk had been denied the opportunity to vote directly on the issue, betrayed by Bonn's traditional parties in the same way that Germany's interests were betrayed by those in the political elite who put their seal to the Treaty of Versailles. The Republicans would be the only party to be campaigning in next year's European elections on a clear anti-Maastricht ticket.

Support for the Republicans in the electorate appears to have slowed down, as they have been tarred with the brush of skinhead violence against foreigners. But they only just failed to gain 5 per cent of the vote in recent elections in Hamburg.

## US airline threatened with strike

By Richard Tomkins in Dallas

AMERICAN Airlines, the second highest US carrier, faces the threat of a strike by its 21,000 flight attendants following the collapse of talks on a cost-cutting pay and conditions deal at the weekend.

The strike could cause chaos for US air travellers because it is set to begin on or before November 22, the Monday before the Thanksgiving holiday weekend - one of the busiest travel weekends.

The dispute casts a shadow over attempts by beleaguered US airlines to restore profitability through deals aimed at big cuts in labour costs.

United Airlines is currently trying to persuade its employees to agree to \$4bn worth of cuts in jobs and pay in exchange for a stake of up to 60 per cent in the ownership of the company.

American Airlines has been talking to its unions for a year about new conditions of employment that would cut labour costs by 20 per cent.

## UK bans Polish carrier

BRITAIN yesterday suspended flights by the Polish national carrier LOT to the UK following the breakdown of talks over flight allocations between British Airways and LOT, writes Paul Betts.

The UK Department of Transport said LOT's permit for air services to the UK was not being renewed because the airline had refused to honour existing agreements between the two countries.

But Mr Boguslaw Liberadzki, the Polish transport minister, said the talks had broken down because BA was seeking to double the number of flights between London and Warsaw at least for a trial period.

Poland would not immediately refuse permission for BA flights to land in Warsaw but he warned it might do so at midnight tomorrow.

LOT believes an increase in BA flights to Warsaw would undermine its European and transatlantic business because passengers might switch to the cheaper route via London to the US and Canada.

## Northern League set to take another bastion

After decades of communist rule, Genoa is likely to fall to a regional party, writes Robert Graham



Elections

IT USED to be said that the Genoaese were reluctant to buy fridges because they believed the light was still burning after the door had been closed.

They still have a reputation for being cautious and suspicious of change. But this might be about to change. On November 21, the Genoaese, along with 445 other municipalities, vote for a new mayor and council.

And there are signs of a growing disenchantment with the left-wing politicians who have run the city throughout the post-war era.

Opinion polls suggest that Italy's sixth largest city could fall to the Ligurian League, one of the regional political groups belonging to the Northern League, a regional autonomy movement for Lombardy. Under the fiery populist leadership of Mr Umberto Bossi, the Northern League has grown in recent years from a relatively obscure party to a party that has 40 per cent of the vote in the rich

northern industrial belt. If it wins Genoa, it would be the first proof that the league can appeal to voters outside its Lombardy heartland.

The more garrulous league officials in Genoa read even more into the prospect of victory. "Winning Genoa gives a future Republic of the North its outlet to the sea," says Mr Bruno Ravera, one of the Ligurian League founders.

Since the second world war, the administration of Genoa has been dominated first by the Communist Party and latterly by its successor, the Party of the Democratic Left (PDS). Grassroots support came from the trade unions, based in the port, steelmaking and engineering.

The appeal of the left has waned with the collapse of the Berlin Wall and the decline of Genoa's loss-making state-owned industries. Nine out of ten industrial workers are in the public sector and the city's economy has been undermined by recession and the drying up of state subsidies to the port and industry.

Genoa's unemployment, at

nearly 15 per cent, is double the average in northern Italy and is worsening.

Despite a magnificent setting, hugging the curves of low mountains that drop steeply to the sea, the city has an air of melancholy neglect. The infrastructure has been punished by two consecutive years of heavy flooding.

The historic centre has been dubbed by some the Cashah because of the 20,000 immigrants living there. Most are North African and many are illegal immigrants. The area has been patrolled by 500 police on 24-hour duty since riots last summer, the worst racial conflicts seen in Italy.

Last year's celebrations for the 500th anniversary of Columbus's discovery of the New World occasioned an expensive renovation of the port and a brief recovery of local pride. But funds have run out to finish the city's metro rail network and it has emerged that the claimed "1.7m" visitors were inflated by about 1m.

Symbolic of Genoa's plight is the elegant glass-structured

Sheraton Hotel, unopened because of lack of clientele.

As elsewhere in Italy, magistrates are investigating corruption in various public works contracts. The previous city administration was dissolved in May following accusations of corruption against Mr Claudio Burlando, the mayor. Although it seems a zealous magistrate may have overstepped the mark in having the mayor arrested, the accusations besmirched the previous administration. As a result "clean honest government" is on the lips of all those in the electoral contest.

In an attempt to adopt new clothing, the left has formed a "progressive alliance". The PDS has chosen to back an independent candidate for mayor, Mr Adriano Sansa, a well known local judge, and has obtained the support of the cross-party reformist grouping, Democratic Alliance, plus the Greens. Polls give Mr Sansa 38 per cent of the vote.

But the league has crept up, pushing aside the Christian Democrats and their allies, and now holds about 36 per cent of

the vote. "This is a contest between the league and the PDS," says Mr Enrico Serra, the 59-year-old orthopaedic surgeon who hopes to be the league's first mayor. "It's a vote between the old and the new."

Their platforms are remarkably similar: an emergency programme to deal with flood damage; reorganising the city administration; improving the crumbling infrastructure and renovation of the historic centre. But when it comes to emphasis and style, the differences are marked.

The league wants to look in detail at the books of the previous administration, believing there are £700bn (£290m) worth of questionable operations. "We want to provide a transparent administration, that offers real services, and of course we will privatise as much as we can," says Mr Serra. The league will seek to prune the 16,000 workforce on the city's payroll.

Mr Sansa puts the emphasis on a more efficient use of resources and seeking new investment to create jobs. He

wants tighter immigration policies but is alarmed at the more extremist among the league who are demanding mass expulsions.

Under new laws approved in March, mayors are directly elected and are able then to control the formation of the councils. If no one obtains an outright majority in the first round, there is a run-off. In Genoa a run-off is very likely.

Although Mr Sansa is in the lead, it is not clear how he can best his support in the run-off without turning to the hard-line marxists, Reconstructed Communism. In Genoa, they hold 9 per cent of the vote. In contrast the league will be looking in the second round to the centre, especially the Christian Democrat vote.

Two factors may tip the scales in the league's favour. The Genoaese blame last month's flood disaster on the failures of the previous city council, and the league is picking up protest votes among the self-employed and shopkeepers who are furious over the government attempts to tighten up on tax evasion.



Maria Kalfa, Controller of Organon and Organon Teknika, Greece.

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## NEWS: INTERNATIONAL

## Crunch has come for S Africa's power-sharing constitution

Proposals look more like majority rule than National party supporters could have imagined, says Patti Waldmeir

"IF YOU'RE scared of majority rule, vote Yes". That was the promise the ruling National party in South Africa made to its white supporters during last year's national referendum campaign: vote Yes for a constitution entrenching minority rights and preventing majority domination; vote No, and prevent majority rule.

Those who did, two-thirds of white voters, are in for a shock. The new constitution negotiated by the National party and the African National Congress, due to be finalised shortly, looks far more like a majority rule constitution than any National party supporter could have imagined.

As promised, the constitution is based on multi-racial power-sharing in the executive, in the legislature, and between central government and the regions. But the share of power guaranteed to minorities is considerably less secure than that originally demanded by the National party. This could provoke a revolt among traditional party supporters and new recruits from minority communities, who may see the deal as a sell-out to the ANC.

That deal - on the first post-apartheid constitution, likely to remain in force until the end of the decade - is now all but done. Within a week, ANC and National party negotiators expect to have finalised joint constitutional proposals which go to a technical committee for drafting. They will then try to sell that constitution to the right-wing Freedom Alliance, which so far seems disposed to reject it.

It seems likely that parliament will endorse a new constitution within a month to six weeks, in time for the first all-race elections on April 27.

That constitution will enshrine a multi-party government of national unity for the first five years. But within that government, the power exerted by the National party, standard-bearer of white and other minority interests, seems likely to depend largely on the goodwill of the ANC and of Mr Nelson Mandela, its leader.

Far from entrenching an effective minority veto over cabinet decisions on fundamental matters - long the National party's bottom line - President F.W. de Klerk appears willing to accept a voluntary arrangement,

which would have no constitutional force, under which Mr Mandela promises not to act on crucial issues without Mr de Klerk's assent.

The National party would have one further mechanism for blocking majority decisions in cabinet: where consensus could not be achieved

least 5 per cent of the vote would have proportionate cabinet representation. Mr de Klerk might not be guaranteed blocking power.

Government negotiators believe that the ANC and NP share common goals for the government of national unity, including agreement

relations are very cordial) the same cannot be said of much of the white electorate. Nervous whites wonder whether only unwritten agreements between Mr Mandela and Mr de Klerk would survive a landslide ANC election victory, and they question whether the spirit of

## The power exerted by Mr de Klerk's party seems likely to depend on the goodwill of the ANC and Mr Mandela

informally within an inner cabinet of the main leaders, a vote would be taken.

The exact percentage required to pass decisions in areas such as finance and state security has yet to be agreed: but the ANC is insisting it be 60 per cent, and National party negotiators say they may accept this. If they do, the party alone could probably not block cabinet decisions. Its share of cabinet seats would reflect the party's share of the national vote - current opinion polls put NP support at 12 to 20 per cent.

Even voting with potential allies in the cabinet (each party with at

on the need to restore stability. Most of all, they believe assurances from ANC leaders including Mr Mandela that the ANC does not think itself capable of governing alone. So Mr de Klerk seems to be willing to abandon the rigid entrenchment of minority power in cabinet, in favour of a primarily voluntary form of power-sharing which he thinks will give him more influence in fact, if not in law.

But if, after more than three years of constant negotiations, he and his officials have lost their fear of the ANC (government and ANC negotiators even shared bungalows at their recent bush summit, and

national unity which inspires the current negotiations will endure when the new government starts to take hard policy decisions.

NP officials say they will sell the constitution as a package which, taken together, fulfils the referendum promise of protecting minority rights and preventing majority abuse of power. They point to a bill of rights which substantially protects individual economic and political rights against state abuse; and substantial devolution of power to regional governments, aimed at weakening central government and its ability to dominate.

But what Mr de Klerk has dubbed

a "federal" constitution in fact reserves very strong powers for central government. True, substantial powers are devolved to regional governments in areas such as education, policing, health, housing, welfare, but central government reserves the right to intervene in these areas to impose uniform national norms and standards, to ensure proper regulation, to protect the national economy or national security.

In short, the constitution authorises central government to intervene in areas so vague as to undermine regional autonomy. And with regions barred from imposing taxes without central government approval, it is hard to accept Mr de Klerk's claim that the new state will be "federal".

In the end, the best way to protect minority rights may be, as government negotiators claim, for whites to prove that they are indispensable to the new government. Officials believe they can build more power this way than by entrenching the minimum rights needed to survive.

But success will depend on the number of whites, coloured (mixed-race) and Indian voters willing to

take the same gamble. If minority voters desert the National party in droves, it will not have the electoral strength to claim the role agreed with Mr Mandela. Indeed, with white support for the party at an all-time low and attempts to muster black support going badly, there is an outside possibility that the NP could come third in a national election, behind the right-wing Freedom Alliance which includes the mainly Zulu Inkatha Freedom party, the white supremacist Conservative party and the nationalist Afrikaner Volkfront.

Still, it is hard to imagine the Freedom Alliance surviving tensions between black conservatives and white racists long enough to fight an election together. At the moment, the greater risk seems to be that the Freedom Alliance could oppose elections altogether, and launch something close to a civil war. Alternatively, some members might choose to oppose the constitution but fight the elections anyway.

The next few weeks are crucial as the intentions of the Freedom Alliance become clear. At last, the crunch has come.

## Jewish riots over murder of settler

By David Horowitz in Jerusalem

THOUSANDS of Jewish settlers set Arab homes alight, stoned Arab cars, blocked roads and burnt tyres at the weekend in response to the murder of a Jewish settler by Islamic militants on Friday. It was the worst violence in the occupied territories since Israel and the Palestine Liberation Organisation signed their autonomy accord in September.

Spokesmen for the 130,000 Jewish settlers in the West Bank and Gaza Strip declared "a Jewish intifada" - an ongoing effort to disrupt Palestinian daily life throughout the occupied territories, as Palestinians had done in their years of uprising.

At a meeting in Jerusalem, settlement leaders agreed to continue blocking West Bank roads and disrupting Palestinian traffic. They also demanded an apology from Mr Yitzhak Rabin, prime minister, over remarks in which he implied a comparison between the opponents of the autonomy accords on both sides - Hamas

and the settlers. Mr Rabin had stressed the need to stand firm against the "enemies among the Palestinians... and the opponents among the Jews".

Mr Benjamin Netanyahu, leader of the main opposition Likud party, called the implied comparison "scandalous" and urged Mr Rabin to resign if his government could not properly protect the settlers. There were similar calls at yesterday afternoon's funeral of Mr Haim Mizrahi, the settler who was abducted and stabbed to death by Hamas militants.

Mourners carried signs saying "Death to Hamas", condemned the government over last week's release of hundreds of Palestinian prisoners, and called for the scrapping of the autonomy programme.

Also on Friday, Palestinian gunmen shot dead Mr Ahmed Oudeh, a West Bank Palestinian land dealer who was said to have been selling Arab land to Jewish settlers. Yesterday in the Gaza Strip, an Israeli shot dead a 21-year-old Palestinian, Mr Tamer Zeyara, who had stabbed him in the hand and back, apparently in an argument over work.



Police arrest a young right-wing demonstrator outside Rabin's Tel Aviv home over the weekend

## Kenya abolishes maize monopoly

By Leslie Crawford

PRESIDENT Daniel arap Moi of Kenya at the weekend abolished the government's maize import and marketing monopoly, a reform demanded by donors who meet this month to hear Kenya's plea for restoration of international aid.

The liberalisation of the maize trade allows private traders to import the staple crop and distribute it freely across the country.

The decision, resisted by the National Cereals and Produce Board, appears to have been prompted as much by the need to placate donors as by a crop failure this year. Mr Moi indicated that the government's foreign exchange reserves were only enough to cover Kenya's immediate emergency food needs, which he estimated at 200,000 tonnes. Long-term food stability would depend on the efforts of Kenyans themselves.

US aid officials criticised Mr Moi's announcement for not including the deregulation of price controls. Nevertheless, the deregulation of the maize trade marks a victory for IMF and World Bank officials, who are currently in Nairobi designing a new economic reform programme for Kenya's donors' conference on November 22.

Previous attempts to reform the sector have been resisted by the NCPB, which has a monopoly over maize trade. Sudan's President Omar Hassan al-Bashir has sacked Mr Abdel-Rahim Hamdi as finance minister, after reports from Khartoum. He had been closely associated with tough economic reforms welcomed by the IMF but unpopular among Sudanese because of price rises.

## Opec may revise pact on output

IRAN said yesterday that the Organisation of Petroleum Exporting Countries would have to re-examine its September output agreement and cut its ceiling if oil prices did not recover, Reuters reports from Bahrain.

"If the price weakens further, there should be a new discussion on the ceiling," Mr Gholamreza Azadegan, oil minister, said in a statement. "If [the current] ceiling does not lead to stronger prices, there should be a revision."

It was believed to be the first open statement from within Opec that the agreement, which set a ceiling of 24.52m barrels per day for October to March, might need revision.

Opec members have looked in dismay as the market has chipped tens of millions of dollars off their collective daily revenue.

North Sea Brent prices fell below the \$16 per barrel level on Friday. The price for December delivery closed in London at \$15.50.

## Algerians free French hostages

Algerian security forces have secured the release of the three French hostages kidnapped in Algeria a week ago, Reuters reports from Algiers. The Algerian and French governments did not immediately say how or where Mr Jean-Claude Thevenot and Mr Alain Freissier were found. As the two men arrived back in Paris last night Mr Alain Juppé, French foreign minister, said the third, Mrs Michelle Thevenot, was at the French embassy in Algiers.

## Critical week in N Korea nuclear inspection row

By John Burton in Seoul

A TURNING point may be reached this week in a looming crisis over the international inspection of North Korean nuclear facilities.

North Korea is under growing pressure to allow International Atomic Energy Agency inspectors renewed access to its nuclear facilities at Yongbyon since the agency's monitoring cameras are expected to run out of film soon.

Pyeongongyang recently broke off negotiations with the IAEA on the inspection issue, claiming the agency was biased.

Mr Hans Blix, the IAEA director-general, is due to report on the North Korean nuclear issue to the UN General Assembly today.

He is expected to say North Korea is hampering the agency's ability to verify that Pyongyang is adhering to the nuclear safeguards accord, but to stop short of declaring that the continuity of inspections has been broken.

The General Assembly is then expected to debate a resolution urging Pyongyang to continue IAEA inspections.

This could eventually set the stage for the UN Security Council to consider the question of imposing economic sanctions on North Korea for failing to carry out its obligations under the nuclear non-proliferation treaty (NPT).

But China has recently indicated that it would block a sanctions resolution, while Russia and Japan are also

believed to have reservations. The US has been holding discussions with North Korean representatives at the UN in New York since mid-October to persuade Pyongyang to allow resumption of the routine IAEA inspections that began last year.

North Korea is seeking an end to the Team Spirit military exercise, which is held annually each spring in South Korea by the US, in return for allowing the entry of the IAEA inspection team, according to South Korean officials.

But the US wants North Korea to accept the IAEA inspectors and arrange a meeting of presidential envoys with South Korea before the 1994 Team Spirit manoeuvres are cancelled.

## Chinese shot in corruption purge

By Tony Walker in Beijing

CHINA executed seven officials over the weekend, including the mayor of a small town in southern Henan province, as a nationwide anti-corruption drive gathered pace. Dozens of bureaucrats have been shot recently for crimes ranging from bribe-taking to extortion and embezzlement.

People's Daily, the Communist party newspaper, hailed the executions as "another achievement" for the party and the "entire Chinese people".

"To severely punish corrupt leading officials according to law is absolutely necessary for ensuring the purity of our party and state power, maintaining social stability and promoting the establishment of a socialist market economy," the paper said.

China launched its anti-corruption drive several months ago in the face of widespread grumbling among citizens about official graft and bribe-taking. The campaign has taken on some of the characteristics of a national crusade led by a Communist party desperate to shore up its public support.

Members of the Standing Committee of China's parliament, the National People's Congress, meeting at the weekend, charged that "corruption had reached an alarming rate in China, damaging the Party style and harming the image of the party and the government. It had also eroded social conduct".

Mr Li Ligang, a Standing Committee member, urged that the anti-corruption campaign should be carried out regularly and be institutionalised. "The masses should be fully mobilised to inform on offenders," he declared.

According to China's prosecutor general, corruption is rife among Communist party officials. He reported to parliament last week that in one out of 10 criminal cases investigated in the first nine months of this year, offenders were Party or government officials.

By September, 6,040 party and government officials, including 20 at department or city level, and one at vice-ministerial level, were charged with committing crimes such as embezzlement.

## India furious at US remarks on Kashmir status

By Stefan Wagstyl in New Delhi

A DIPLOMATIC row has erupted between the US and India about an American State Department official's remarks questioning the status of the troubled northern Indian state of Jammu and Kashmir. India has reacted angrily to the official's comment last week questioning the validity of Kashmir's accession to India in 1947.

The row comes at a sensitive time with the siege of the Hazratbal mosque, Kashmir's holiest shrine, entering its third week. Hundreds of Indian troops surround the mosque, which was seized by separatist Moslem militants on October 15.

Efforts to negotiate a settlement and secure the release of an estimated 100 to 150 pilgrims trapped inside the mosque have repeatedly foundered over the militants' demands for safe passage. The Indian authorities want them to surrender.

If part of the militants' plan was to focus international attention on their fight to break away from India, they have succeeded. Pakistan, India's hostile neighbour which claims Kashmir for itself, has protested about the mosque siege. The issue was

raised at last month's Commonwealth heads of government meeting in Cyprus. Now the US official's comments have prolonged the international debate.

The official - Miss Robin Raphel, an assistant secretary of state - said at a press conference last Thursday: "We view Kashmir as a disputed territory and that means we do not recognise the Instrument of Accession as meaning that Kashmir is for evermore an integral part of India. There were many issues at play in that time frame as we all know."

Miss Raphel was referring to the controversial way in which the last Maharajah of Kashmir acceded to India.

Indian ministers at the weekend rejected Miss Raphel's remarks angrily. Mr Dinesh Singh, the minister for external affairs, said no one had the right to question the status of Kashmir as an integral part of India.

US officials insist there has been no change in American policy. They point out that Washington has long regarded Kashmir as "disputed territory".

However, it does seem that Miss Raphel committed a gaffe in repeating Washington's view in strong language at a sensitive time.

## Airbus loses \$590m Sri Lanka order

By Paul Betts, Aerospace Correspondent

THE Sri Lanka government is to cancel an order for five Airbus A240 long range aircraft worth \$590m (\$391m) for its national airline Air Lanka.

The decision is a further blow to the European Airbus consortium which has suffered more cancellations so far this year than new aircraft orders.

The current prolonged recession in the commercial airliner business has prompted a call from Mr Jean-Person, the Airbus managing director, for a reform of the consortium structure to increase its overall competitiveness. It won only 23 new orders during the first

nine months of this year. Mr Raul Wickremasinghe, the Sri Lankan prime minister, said in a weekend newspaper interview in Colombo that the government had informed the World Bank of the decision to cancel the A240 orders.

The original purchase had been criticised by the bank and Sri Lankan opposition leaders as extravagant. However, Mr Wickremasinghe said the government was open to renegotiating a contract with Airbus "if conditions are acceptable".

Airbus officials are understood to have met Mr Sepala Attiyalage, Air Lanka's chairman, last week to discuss the possibility of a more favourable contract for the airline.

## Sweet and sour tastes in colonies rejoining China

Good relations over Macao contrast with friction over Hong Kong, writes Simon Holberton

OFFICIAL visits are a time for gliding lilies, but the contrast between Macao, the Portuguese colony which reverts to Chinese sovereignty in 1999, and Hong Kong could not have been greater.

At the weekend Chinese government officials were falling over themselves with praise for Portugal and its President Mario Soares, who concluded a three-day visit to the colony yesterday.

Mr Guo Dongpo, the head of China's Xinhua news agency, Beijing's de facto representative in Macao, praised the good relations between the two countries. His colleague Mr Guo Jialing, who leads the Sino-Portuguese Joint Liaison Group overseeing the transition, said the two sides were in complete agreement about matters relating to the transfer of the colony.

That cannot be said for Hong Kong, which an hour away by hydrofoil lies on the western side of the Pearl River estuary. Talks between Britain and

China about Hong Kong's political development are mixed. Over recent days British officials have let it be known that, if there is no movement from China towards a compromise, talks may break down as early as next month.

Portugal's position on its south China coast colony has always been different from Britain's. While Britain took Hong Kong from China in 1842 following the first Opium War, Beijing has always tolerated Macao and has always exercised much greater political influence over Macao.

Settled in 1537, the two islands and peninsula which constitute the colony were accepted by the Ming and Qing emperors who, for reasons of trade, allowed the settlement to flourish. So, too, have China's Communist rulers.

When the socialists took power in Portugal in 1974, it was the Chinese government which tried to persuade the Portuguese to stay. As with Mozambique and East Timor, Portu-

gal's new government wanted out - and quickly.

A secret deal between the two was concluded in Paris in 1979 whereby Portugal agreed that Macao was sovereign Chinese territory and agreed to administer it until China wanted it back. This agreement was revealed only in 1987, when the two agreed that Macao would revert to China in 1999.

Over the weekend Mr Soares sought to bolster confidence in the colony, saying that he had full confidence in Macao's future under Chinese rule. Although the crowds flocked to see the Portuguese president, few among the Chinese community will mourn the passing of Portuguese administration.

Earlier this year a Cantonese talk-back radio show was summarily taken off the air after many of the callers rang in to criticise the Portuguese administration. Businessmen find the colonial government unnece-

sarily bureaucratic. "I try to have the least to do with the government as possible," said one, adding he preferred to cut deals with mainland partners.

One of the few areas of conflict between China and Portugal is over the issue of localisation of the civil service. Little has been done to date, possibly reflecting the fact that the governorship of the colony and the top posts in government are rewards given by Lisbon to loyal supporters at home.

China's involvement in Macao's economy is every bit as great as - possibly greater than - its role in Hong Kong's economy. An attraction for many mainland officials and businessmen is that Macao has no publicly quoted corporate sector, relieving them of the irritant of disclosure.

According to one western banker in the colony, the mainland Chinese business interest in Macao is dominant. "They have a very solid pres-

ence in Macao and a very influential one," he said.

Bank of China is the largest bank, controlling about half the banking assets in the colony. Xinhua, unlike its opposite number in Hong Kong, is highly visible and active in business, especially trading and property development.

As in economy, so too in politics, where Beijing holds the whip hand. Elections last year for 16 of the Macao Legislative Assembly's 26 seats saw a virtual clean sweep for pro-Beijing politicians. There is little popular agitation for greater democracy, as there is in Hong Kong.

Underlining Beijing's position in Macao is the power of the head of Xinhua. Since the Cultural Revolution of the late 1960s he has been de facto governor of the colony. Last year his status was upgraded. Mr Guo Dongpo no longer has to report to Beijing through the head of Xinhua in Hong Kong.



هكذا من الوصول



Westminster Bridge



Victoria Railway Bridge



Waterloo Bridge



Battersea Bridge



Chelsea Bridge



Tower Bridge



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Blackfriars Bridge



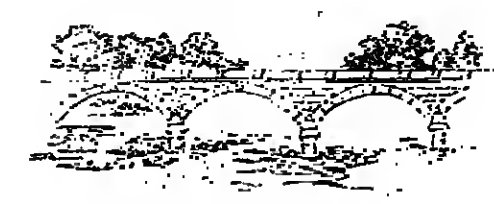
Southwark Bridge



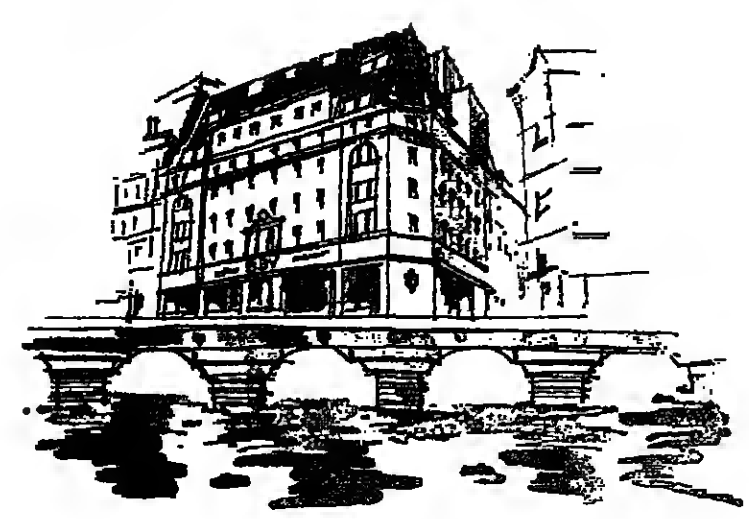
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# Military aim to tighten grip in Haiti

By Canute James in Kingston

HAITI'S military leaders, who successfully defied international efforts to have ousted President Jean-Bertrand Aristide reinstated on Saturday, plan to consolidate their rule by making Mr Aristide constitutionally redundant.

Parliamentarians and businessmen who supported the military which overthrew Mr Aristide two years ago, say that by failing to return the president has defaulted on a United Nations-brokered agreement which he signed in July.

Mr Aristide's opponents plan to replace him with a provisional president, and then to call a presidential election. In Port-au-Prince, Haiti's capital, armed men in plain clothes, widely held to be an unofficial arm of the police, fired guns in the air on Saturday, celebrating the president's failure to appear.

Mr Aristide's return has been frustrated by the military leaders' refusal to step down in keeping with the July agreement. They also refused to provide

protection for parliamentarians supporting the president, thwarting attempts to pass amnesty legislation which the military demanded.

The military's new play is likely to force the UN to take stronger action than the embargo on oil and arms shipments implemented a fortnight ago to force the military leaders to step aside. Mr Aristide, who says the UN agreement is still valid, asked the UN last week to tighten the embargo.

The UN Security Council said on Saturday it was insisting on complete compliance of the agreement for Mr Aristide's return to office, and threatened to tighten sanctions. The Security Council condemned General Raoul Cedras, Haiti's military leader, for violating the agreement.

Mr Robert Malval, the prime minister appointed by Mr Aristide, has backed away from a declaration that he would resign if the president did not return by Saturday. He now says he will stay in office to fight for Mr Aristide's reinstatement.

## Iraqgate affair official dies in Washington

By Alan Friedman in New York

MR Frank Lemay, the US State Department official who warned the Bush administration that Iraq was misusing US government-backed loans to fund its nuclear weapons project, has died in Washington at the age of 36.

Mr Lemay, who succumbed to complications from AIDS, last year testified about the Iraqgate affair before the House Judiciary Committee. His testimony spurred congressional calls for a special prosecutor for the scandal.

Mr Lemay went before Congress after Democratic legislators revealed a 1989 memorandum of his in which he reported that funds from the Atlanta branch of Italy's Banca Nazionale del Lavoro (BNL) were being diverted by Baghdad for its war machine.

The Lemay memo said: "If smoke indicates fire, we may be facing a four-alarm blaze in the near future." The memo was considered so sensitive that it was stamped "not for the system" when it reached aides to Mr James Baker, the then secretary of state.

# Banking for the people down Mexico way

Nancy Dunne on democracy in the planned Nafta bank

PROPOSALS for a North American Development Bank, endorsed last week by the Clinton Administration, will create an institution with "the most transparent and democratic structure in the history of development banking," according to Mr Raul Hinojosa, who helped draft the plan.

The bank, intended to ease US-Mexican problems stemming from the North American Free Trade Agreement, seeks to "avoid all the problems of the marble palaces" which house other development banks by sharing building space with the Inter-American Development Bank. To curb any expansive new bureaucracy, it will also get technical aid from the IADB.

Nadbank will not only finance environmental and infrastructure projects but also fund enterprises in communities hit hard by Nafta. The Clinton Administration can argue that without Nafta, there will be no lending institution to aid towns whose factories have moved to Mexico.

The blueprint for Nadbank gives labour, environmentalists, and church and civic groups an unprecedented voice in the institution's affairs. Along with business and government

representatives, they will be appointed to serve on the bank's advisory and review committees "to provide input and guidelines at all stages of the loan granting process."

The US and Mexican governments each will appoint three representatives to the bank's board. But they will also have to deal with an ombudsman, appointed by the advisory committee, to provide independent inspection of Nadbank's operations. Conservatives are likely to view with distaste adding "another level of bureaucracy" to involve the bank's clients. Mr Hinojosa acknowledges that democratisation may slow operations but "it will be well worth it, if it means providing more effective proposals from grassroots up rather than top down."

A visiting scholar this year at the IADB, Mr Hinojosa has worked on the Nadbank blueprint for two years with two economic professors from the University of California at Berkeley, Mr Sherman Robinson, now on the Council of Economic Advisers, and Mr Albert Fishlow. All three toiled in the

Clinton campaign and transition team, determined to promote "an alternative vision of what Nafta should be about," said Mr Hinojosa.

Like other development banks, Nadbank will undertake a leveraging of its resources far beyond its paid-in capital - \$250m each for Mexico and the US. Callable capital - that which each country promises to provide on demand - will be \$250m.

Up to \$6.5bn in funding will also come from other US government programmes such as the Small Business Administration and Farmers Home Administration. Other funds will come from the World Bank (\$1.8bn) and the Mexican government (\$2.2bn) and the Inter-American Development Bank (\$200m). More will come from issuing bonds on the capital market, so that total project financing with private leveraging is expected to be \$300m or more.

The bank's initial priority will be financing environmental and development projects along the border. But two other facilities will provide up to \$200m each to non-border commu-

nities in Mexico and the US.

Announcement of Nadbank was applauded by pro-Nafta environmental groups. Mr Peter Berle, president of the National Audubon Society, said it would be "more flexible and its mission broader in scope" than a border clean-up fund, originally proposed by the Administration.

"With Nadbank not only will water infrastructure projects be funded but important issues such as housing, displacement of agricultural workers and general readjustment funding will now be addressed," he said.

The Administration's endorsement of Nadbank was particularly a triumph for California Congressman Esteban Torres, but it was a painful victory. He and other Hispanic leaders had been pushing the concept for months as part of the price for their support of Nafta. When the deal was done, he received a visit from a large group of old friends in the labour movement, who beseeched him not to endorse Nafta.

But Mr Torres also felt the pull of his Hispanic-based constituency,

which is torn over Nafta between job loss worries and a pride that Americans and Mexicans have sat down to the bargaining table and cut a deal as equals.

"This new-found respect has got to help improve the image and prestige of Hispanic Americans," said Mr Raul Yzaguirre, president of the national council of La Raza, the nation's largest Hispanic organisation and one of the three Hispanic groups to endorse Nafta last week.

Mr Yzaguirre spoke of the pact's potential for turning his community's liabilities into assets. "For perhaps the first time in my lifetime, being bilingual in Spanish and English will be an advantage, rather than a disadvantage in the labour market and in the corporate boardroom."

Nadbank was expected to bring a number of the 18-member Hispanic caucus to the Nafta side in the House, but last week it was Mr Torres alone who announced his support. The others could be holding out for more Administration favours, as Nafta supporters say, or they may find that even their dream development bank is not worth the risk of losing their union friends.

## Venezuela gas blast arrests

A Venezuelan criminal court judge issued warrants for the arrest of 19 people, including executives of GT&E and AT&T in Venezuela, as part of an investigation into a gas pipeline explosion outside Caracas that killed about 50 people, writes Joseph Mann in Caracas.

The explosion on September 28 occurred allegedly when an excavating machine digging a trench for fibre-optic cable struck an underground natural gas pipeline. CANTV, the privatised telecommunications company run by a consortium headed by GT&E of the US, contracted AT&T Andinos to lay the fibre-optic cable.

AT&T sub-contracted a Venezuelan company, Abengoa, to carry out the work. The pipeline is operated by Corpoven, a subsidiary of the national oil company PDVSA. No one has accepted responsibility.



Jesse Jackson, left, at a weekend rally embraces David Dinkins whom he is backing for re-election as New York mayor

## Argentine minister visits UK

By John Barham in Buenos Aires

ARGENTINA'S foreign minister, Mr Guido di Tella, begins a three-day official visit to Britain today, the second by an Argentine minister this year and an indication of rapidly improving ties.

He will see Mr John Major, the prime minister, Mr Michael Heseltine, trade and industry secretary, and Mr Douglas Hurd, foreign secretary. He will also meet opposition politicians and business leaders.

Cavallo, economy minister, made the first official trip to Britain by a minister since the 1982 Falklands war. Three British cabinet ministers have visited Buenos Aires this year.

Relations began improving after President Carlos Menem took office in 1989 and adopted pro-western foreign policies and free market economics. However, the unresolved dispute over the Falklands means that Mr Menem is unlikely to be invited to London soon.

Mr Di Tella is trying to win over the Falkland Islanders by convincing them that Argentinians have changed for the better.

He has met Falkland representatives and broadcast to the islands via the BBC World Service. But suspicious Falklanders reject his advances and Britain refuses to discuss the islands' political future.

The two sides have agreed on other questions, principally fisheries, the Falklands' main source of revenue. Mr Di Tella will sign a new one-year fishing agreement.

However, Britain refuses to lift its arms embargo preventing Argentina from replacing aircraft shot down in 1982.

## British Steel in Indiana contract

BRITISH STEEL has won its first overseas contract for a pioneering technology that reduces the amount of coke needed in blast furnaces, writes Andrew Baxter.

Bethlehem Steel, one of the largest US steelmakers, is to install a system for injecting granular coal into the two

blast furnaces at its Burns Harbor plant in Indiana. The technology has been in use at British Steel's Scunthorpe works for about 10 years. Cokemaking is a capital-intensive and environmentally sensitive process, but granular injection reduces the amount of coke required for iron-

making by up to 40 per cent. Since March 1991, the Doncaster iron and steelmaking equipment supplier, will make and install the equipment at Burns Harbor. British Steel will provide training, operating and technical assistance in the early production phase and will receive royalties.

# Banking on a cure for Japan's sick economy

MR YOH KUROSAWA, president of Industrial Bank of Japan, is unusually willing to criticise Japan's policymakers. In an interview in yesterday's Observer newspaper published in London, he attacked the government for failing to take sufficient measures to boost Japan's ailing economy. He called for a ¥10,000bn to ¥15,000bn (\$220bn to \$300bn) income tax cut - the government is rumoured to be considering a ¥5,000bn cut - and a further half point reduction in the official discount rate.

But Mr Kurosawa's words, like the Japanese economy, are difficult to read. While the IBJ president's policy prescriptions are bold, they do not step too far outside the consensus: fiscal policy is still the preferred option for reviving Japanese growth, both in Tokyo and among Japan-watchers in the US Treasury. Yet, up to now, Japan's fiscal activism has not had much success. Three fiscal packages over the past year have consumed Japan's general government budget surplus, but they have not produced an economic revival.

The OECD forecasts that the Japanese economy will not grow at all this year, industrial output and retail sales are still registering year-on-year falls and broad money growth remains sluggish.

A year ago, the focus of policymakers was on the unhealthy state of Japan's banking sector. Excessive lending to property companies by the banks and their non-bank subsidiaries in the late 1980s, followed by the collapse of the stock market and property prices, had left the banks with substantial non-performing loans. Official government figures said the bad debts of the leading 21 banks totalled ¥12,300bn, slightly less than in the US when bad debts reached their peak and much less than in the severely indebted Scandinavia. But Tokyo bankers acknowledged that the truth was much worse: counting in the debts of non-bank subsidiaries, and adjusting for Japan's more restrictive bad debt definition, suggested a total three to four times the official level.

Mr Kurosawa, in conversation a year ago, was deeply troubled by the likely

effect of these bad debts on bank lending. He handed over a copy of a speech which he had given in the US at Cornell University the previous week. His speech praised the idea of setting up an agency to purchase these bad debts and called for public funds to speed its work. There was, it acknowledged, opposition to the use of public funds. But Japan would not ignore the fact that public money had been used successfully both in the US Savings and Loan bail-out and in the UK in the early 1970s.

But, in the intervening week since his speech was delivered, Mr Kurosawa, the then prime minister, had been strongly criticised for suggesting that public funds should be used. At the interview, Mr Kurosawa was adamant that the loan buying agency should not receive public funds. Nor has it. Not surprisingly, the results have been disappointing: between February and the end of September, it purchased non-performing loans with a face value of just ¥1,050bn. Japan's banks, due to report healthy half-yearly operating

profits at the end of this month, are using these profits slowly to write off their non-performing loans.

Now the Japanese economy is, in the words last week of Mr Toshihiro Fukui, a Bank of Japan director, in "a pre-adjustment phase". Survey evidence suggests that, despite falling interest rates, Japan's banks remain unusually unwilling to lend. Outstanding loans by the 11 top commercial banks fell 0.5 per cent in the six months to the end of September, the first half-yearly fall since the survey began 39 years ago.

Of course, the troubled state of many Japanese manufacturers is a second reason why Japanese credit growth remains so slow. But even if their demand for credit revived, Japan's indebted banks are likely to remain unwilling to lend for some time. Unless, that is, the Bank of Japan provides funds to speed the liquidation of these bad debts. For, as Mr Kurosawa knows, tax cuts alone will not do the trick.

Edward Balls

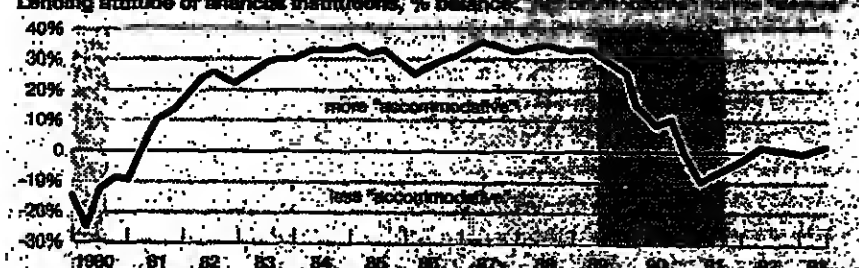
## Two views of Japan's banking crisis

Officially recorded non-performing loans of commercial banks, 1982 (as % of loans)



Source: BIS annual report, 1992/93

Lending attitude of financial institutions, % banks



Source: Bank of Japan, August 1993

## INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-of-period values.

UNITED STATES					JAPAN					GERMANY					FRANCE					ITALY					UNITED KINGDOM				
	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate	Composite leading indicator		Retail sales volume	Industrial production	Unemployment rate	Vacancy rate	Composite leading indicator		Retail sales volume	Industrial production	Unemployment rate	Vacancy rate	Composite leading indicator		Retail sales volume	Industrial production	Unemployment rate	Vacancy rate	Composite leading indicator		Retail sales volume	Industrial production	Unemployment rate	Vacancy rate	Composite leading indicator
1985	100.0	100.0	7.1	100.0	102.2	100.0	100.0	2.8	100.0	96.1	100.0	100.0	7.1	100.0	105.1	100.0	100.0	10.3	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	11.2	100.0	101.7
1986	105.5	109.9	6.9	98.0	107.0	106.5	96.7	2.8	94.5	105.2	106.4	102.2	6.4	136.4	105.1	102.4	101.2	10.4	107.2	108.2	108.2	108.2	108.2	108.2	108.2	108.2	108.2	108.2	108.2
1987	108.4	106.0	6.1	105.5	106.4	113.8	103.1	2.8	106.3	115.4	107.4	102.8	6.2	148.4	108.2	104.5	103.1	10.5	117.7	108.7	110.7	109.8	110.3	109.7	109.8	109.8	109.8	109.8	109.8
1988	112.6	110.7	5.4	108.1	112.5	122.9	112.9	2.5	135.9	122.6	110.5	106.3	6.2	161.6	112.3	107.6	107.3	10.0	134.9	114.3	108.0	114.2	10.9	117.9	111.6	8.6	144.3	107.1	
1989	116.8	112.4	5.9	99.3	111.0	132.5	119.9	2.2	147.0	125.6	114.1	111.4	5.8	218.7	115.2	109.5	111.3	8.4	161.1	114.0	118.8	115.7	10.3	121.1	113.7	8.6	151.1	105.1	
1990	116.5	112.4	5.4	84.8	106.9	141.5	125.5	2.1	149.8	123.7	123.5	117.2	4.8	261.1	115.9	110.1	112.9	8.9	163.0	107.9	114.3	115.0	10.3	121.1	113.7	8.6	151.1	105.1	
1991	114.2	110.3	6.7	62.2	112.3	144.8	126.4	2.1	144.2	122.0	130.5	120.7	4.2	270.7	113.2	106.7	113.2	8.6	127.7	106.8	110.9	115.4	9.8	115.0	119.9	108.2	8.7	108.5	
1992	117.6	112.8	7.3	90.4	117.4	139.3	120.9	2.2	124.2	121.9	128.2	118.1	4.5	260.2	107.1	108.6	113.1	10.4	111.4	106.4	110.3	113.9	9.8	111.9	120.5	108.7	8.9	110.8	
4th qtr 1992	5.9	3.2	7.2	61.8	117.4	-5.5	-7.7	2.3	115.3	121.9	1.4	-4.8	4.9	233.1	107.1	-1.4	-2.3	10.7	101.6	106.4	2.7	-3.8	9.3	111.9	1.6	0.7	10.4	71.7	110.8
1st qtr 1993	3.7	4.4	6.8	59.2	117.4	-5.8	-5.1	2.3	115.5	126.0	-4.8	-5.8	5.3	213.4	107.3	0.1	-3.8	11.0	98.8	106.4	2.0	-4.3	8.1	114.4	3.3	1.9	10.8	73.7	114.1
2nd qtr 1993	5.3	3.8	6.9	63.7	117.5	-6.0	-4.3	2.4	106.2	126.1	-3.9	-3.3	5.8	205.3	109.4	1.1	-4.2	11.5	108.1	106.4	2.0	-4.0	10.2	116.7	3.0	2.7	10.4	74.3	114.2
3rd qtr 1993	5.3	3.8	6.9	66.0		-4.1								195.3															
October 1992	5.5	2.3	7.3	60.8	115.4	-3.1	-6.7	2.3	116.9	121.9	-2.2	-5.6	4.9	242.0	109.6	0.1	0.5	10.8	101.1	107.9	2.5	-1.4	n.a.	111.4	2.1	1.7	10.2	69.9	108.0
November	5.7	3.2	7.2	62.4	117.1	-5.5	-8.5	2.3	110.6	121.7	1.4	-5.5	4.8	232.3	107.5	-5.2	-3.4	10.7	101.6	107.2	5.7	-5.7	n.a.	111.5	1.9	0.1	10.4	71.2	108.7
December	6.5	4.0	7.2	62.3	117.4	-7.7	-7.9	2.4	118.6	121.9	5.1	-4.3	5.0	224.2	107.1	1.0	-4.1	10.9	99.0	106.4	-0.2	-4.4	n.a.	111.9	1.0	0.3	10.6	74.9	110.8
January 1993	4.9	4.8	7.0	60.4	116.3	-3.5	-7.9	2.3	108.9	122.7	-7.2	-6.1	5.2	215.7	108.8	0.1	-5.9	10.9	97.1	106.5	11.0	-3.9	n.a.	113.5	2.9	2.2	10.6	73.2	113.1
February	3.2	4.4	6.6	63.5	118.0	-6.6	-6.8	2.3	113.0	123.5	-4.6	-11.8	5.3	212.9	109.9	-3.8	-2.5	11.0	96.8	106.1	-4.5	-4.3	n.a.	113.5	2.9	2.2	10.6	73.2	113.1
March	3.0	4.3	6.9	62.8	117.8	-8.2	-2.0	2.3	123.6	125.0	-1.7	-8.5	5.5	210.2	107.2	-4.3	-3.0	11.2	98.0	105.4	-0.3	-4.7	n.a.	114.4	4.0	3.0	10.9	73.1	113.0
April	4.7	3.8	6.8	62.4	117.3	-5.3	-4.1	2.3	103.8	126.3	-2.4	-3.0	5.8	211.8	107.6	1.1	-5.1	11.4	95.0	105.0	1.7	-3.8	n.a.	114.8	2.7	1.1	10.6	75.0	114.5
May	5.2	3.8	6.8	65.0	117.8	-4.6	-4.6	2.3	108.9	126.3	-5.7	-8.8	5.8	206.5	108.4	-1.1	-3.5	11.1	105.1	105.1	-1.4	-3.5	n.a.	115.7	3.9	2.7	10.4	75.7	114.1
June	8.0	4.2	6.8	63.1	117.5	-6.0	-4.6	2.5	106.4	126.1	-3.7	-7.8	5.7	208.8	109.4	5.3	-4.0	11.6	91.0	105.1	1.0	-3.9	n.a.	115.7	3.9	2.6	10.4	75.7	114.1
July	5.3	3.7	6.8	65.5	118.1	-4.5	-2.5	2.5	100.8	126.3	-4.1	-7.8	5.8	203.5	110.3	1.8	-2.9	11.7	93.8	104.9	1.0	-3.6	n.a.	116.6	4.4	3.0	10.4	77.5	114.1
August	5.3	4.0	6.7	96.7	118.4	-2.6	2.5				-0.8	-5.8	5.3	198.1	110.7	-1.3	-2.9	11.7	90.4	106.4	1.0	-3.6	n.a.	116.6	4.4	3.0	10.4	77.5	114.1
September	4.5			95.8		-6.1								185.4															



## Record company loss blamed on 'style'

By Richard Gourley

MR ANDREW COPPEL, chief executive of Queens Moat Houses, yesterday laid the blame for a £1.04bn pre-tax loss last year at the hotel group's style, which may have left its board seriously short of information it needed to monitor the group's health.

Mr Coppel refused to exonerate the non-executive directors, who have been criticised for failing to see the unfolding crisis which led to the year's largest corporate failure.

Mr Coppel stressed that Queens Moat would have had to refinance its debts even without the £802.9m write-down on the value of the hotel group's properties which was the main factor behind the loss. The real problem was that the company made an trading profits in 1992 with which to pay a £100m interest bill, he said.

The company's new management is considering legal action against its former advisers and directors, possibly over allegedly unlawful payments of dividends.

Investors in Queens Moat, are this week likely to question the property valuations which are the main reason for the loss. A valuation concluded by Jones Lang Wootton in August for the new board valued Queens Moat's properties at £261m on December 1992.

Only five months earlier, the group's former valuers, Weatherall, Green and Smith, had produced a draft valuation of £1.35bn for the same assets. WGS had valued the group's properties at £280m in early 1992.

Both valuations followed guidelines laid down by the Royal Institution of Chartered Surveyors. Queens Moat is entering what are likely to be protracted talks with its bankers and hopes to produce a refinancing package by the end of January 1994. If accepted the plan would go before shareholders and only then would the shares be considered for re-listing.

## Dublin and London try to fill vacuum

Philip Stephens on steps towards an Ulster peace



Grieving relatives console each other in Greysteel after Saturday night's bombing

Both sides are aware that as long as the political vacuum remains the spiral of violence will continue and quite possibly escalate. But after more than 20 bloody years neither can be confident that the political initiative on which they have embarked can avoid the roadblocks which have halted so many of its precursors.

The lengthy communiqué released after the talks in Brussels renounced terrorism, declared that there could be no place at the negotiating table for those who used violence to further political aims, and underlined the central role of the Ulster constitutional parties in any settlement.

This might seem to represent no more than a statement of the obvious, but the very fact of its release sent an important message - that Mr Major and Mr Reynolds were ready to expend political capital in a renewed effort at permanent peace, and that in the process both were prepared to own up to some obvious realities.

The Dublin government was now ready to remove what Mr Major saw as two of the most foremost obstacles to peace. As part of an overall settlement, Mr Reynolds would be ready to ask the voters of the Republic

to remove from the Irish constitution its claim to jurisdiction over the north, and the Republic would recognise explicitly the veto over change in the province exercised by supporters of the Union.

For his part, Mr Major will now state publicly what has always been obvious but never admitted so explicitly by a British government: that if the IRA ceased its military campaign a place would be found at the negotiating table for Sinn Féin, its political wing.

Behind the scenes, the British prime minister has acknowledged also that the quiet progress for changes to the Republic's constitution would be a significant increase in administrative cooperation between

North and South. Over the next few weeks the two governments will seek to build on that agreement, starting at the meeting on Wednesday between Mr Dick Spring, the Irish foreign minister, and Sir Patrick Mayhew, the Northern Ireland secretary.

Mr Major and Mr Reynolds will seek to strengthen it further at a UK-Irish summit in Dublin within six weeks.

The aim is to create an atmosphere which will persuade the constitutional parties - above all the unionists - to return to the negotiating table and thrust out an internal political settlement.

Reassurance for the unionists ran through the Major-Reynolds statement: in the

promise that there would be no "secret" deals; in the joint disavowal of the initiative launched by Mr John Hume, the SDLP leader, with Sinn Féin; and in Dublin's implicit acknowledgement of the Unionist veto.

In practice, the two governments are reversing the order of negotiations in the three-strand peace process which stalled at the end of last year. Then the priority was an agreement between the Northern Ireland parties before moving on to the second and third strands - relations between North and South in Ireland and an agreement between the Republic and Britain on Ulster's constitutional status.

Now the aim is to secure a broad measure of agreement on strands one and two as an umbrella for strand one.

But if the logic of a London-Dublin accord providing a catalyst for the restart of talks between the parties in the province is obvious enough, its chances are precarious.

The unionists, their self-importance bolstered by Mr Major's reliance on their votes at Westminster, must be persuaded that it offers something better than the status quo. Mr James Molyneux, leader of the Ulster Unionist Party, is now the most important player in the game. Without a positive response from him the latest initiative will go nowhere.

Mr Hume, badly bruised by the rejection of his initiative, must also be brought back within the intergovernmental process. Mr Hume remains as convinced as ever that a cessation of violence by the IRA - without which any settlement will fail to prevent more bloodshed - is within reach if Mr Major is prepared to listen carefully to the ideas to which Sinn Féin has put its name. He has staked too much on his talks with Mr Adams to withdraw quietly now.

Yet British officials suggest that the picture beneath the surface is not as bleak as the familiarly unpromising rhetoric of Ulster politicians suggests. Mr Molyneux has remained silent. If he were to offer to return to the negotiating table, both Mr Hume and Mr Ian Paisley, the leader of the Democratic Unionist Party, would find it hard not to join him. The good intentions might this time offer at least a start on the road to an agreement.

It also recognises that a cessation of violence would precede Sinn Féin coming into talks.

The last series of talks between the four main Ulster constitutional parties broke up last November without agreement.

The DUP was unwilling to proceed unless the Republic dropped its constitutional claim on Ulster. The DUP says Dublin was unwilling to commit itself to change. The Republic accused the unionists of setting pre-conditions. The SDLP, the moderate Alliance party and the two governments have indicated their willingness to continue negotiations.

## Britain in brief



### EC talks on new code for statistics

Measures to improve the European Community's new system of collecting trade statistics are to be discussed next week by government officials from the UK, France, Germany and the Netherlands.

Pressure for the meeting has come particularly from the UK, which is concerned that the method of collecting data introduced at the beginning of this year may be giving an inaccurate view of economic trends.

UK officials are particularly worried that the problems may also be affecting the collection of non-EC trade data and so distorting perceptions about the whole-world trade deficit.

### BR sell-off rules changed

The government has given way to pressure to extend the length of time for which it will grant franchises for parts of the soon-to-be privatised British Rail network, it emerged yesterday.

Bidders could be awarded franchises for as long as 15 years, twice as long as previously expected, Mr John MacGregor, transport secretary said.

The short duration of the franchises, which had previously been expected to run for only five to seven years, has acted as a disincentive to private bidders.

### Output up on September

Manufacturing output expanded in October, at a faster rate than in the previous month, and with particularly buoyant growth in consumer industries. The purchasing managers index, an early indicator of manufacturing output trends based on a survey of purchasing managers, indicated an

expansion of manufacturing activity for the ninth consecutive month. The index - based on a weighted average of five survey variables - rose from 51.7 per cent in September to 53.6 per cent in October.

### ERM not seen as export spur

Two-thirds of British exporters do not believe their export sales would benefit if Britain were to rejoin the European exchange rate mechanism, according to a survey published by the Barclays Commercial Services and Export Times. However, more than half think that greater European integration will help increase exports.

A majority of exporters also believe that allowing the newly democratised east European states to join the EC would improve their sales abroad.

### Fishermen to contest rules

UK fishermen today go to the High Court to try to overturn government legislation that will restrict the number of days they can spend at sea from January.

The National Federation of Fishermen's Organisations, representing 6,000 fishermen in England, Wales, Northern Ireland and the Channel Islands, is applying for a judicial review of the restrictions, which they say could destroy their livelihoods.

The government is introducing the limits as part of its obligation under EC fisheries policy to reduce the capacity of the UK fleet by 19 per cent by the end of 1996 in order to halt overfishing. It is also running a £25m decommissioning programme and tightening up on licensing of vessels.

### Executives in City Pride

Business executives in London, Birmingham and Manchester are to be asked to help draw up regeneration plans for their cities as part of government reforms on urban policy to be announced later this week.

The City Pride initiative will bring together business, government, local authorities and the voluntary sector in a new partnership.

## Guide to various peace processes on Ulster

By Tim Cooney in Dublin

IN the initiative launched by Mr Major and Mr Reynolds, Dublin has accepted that an overall settlement would involve an end to its territorial claim on the north and recognition of the unionist veto on change in the province.

The UK accepted an increase in cross-border co-operation and the possibility of Sinn Féin entering talks if the IRA laid down its arms.

The six-point plan set out last week by Mr Dick Spring, the Irish foreign minister, paved the way for the initiative. The six points were:

● that people in Ireland, without coercion and without violence, should be free to determine their own future;

● that new structures should be developed for governing the province, for north-south relationships and for UK-Irish relations;

● that no agreement can be reached on any change in the status of Ulster without the freely-expressed consent of the majority in Ulster;

● that unionist consent will be required for any constitutional change in the North;

● that the Irish constitution will be amended, "at the right time and in the right circumstances" to reflect any agreed changes;

● that there is a place at the negotiating table for the "men of violence" in the event that they cease their violence.

The SDLP and Sinn Féin are concerned by Mr Spring's apparent acceptance of a Unionist veto - as opposed to a majority veto. Mr Reynolds referred only to majority consent.

The Brussels statement was unequivocal that there could be "no question of adopting or endorsing" the Hume-Adams initiative, which envisages a simultaneous referendum north and south of the border on changes to Northern Ireland's status, but recognises the principle of majority consent in the north.

It also recognises that a cessation of violence would precede Sinn Féin coming into talks.

The last series of talks between the four main Ulster constitutional parties broke up last November without agreement.

The DUP was unwilling to proceed unless the Republic dropped its constitutional claim on Ulster. The DUP says Dublin was unwilling to commit itself to change. The Republic accused the unionists of setting pre-conditions. The SDLP, the moderate Alliance party and the two governments have indicated their willingness to continue negotiations.

## The laurels rested on the Mercedes. And not vice versa.

**N**o truck manufacturer wins the prestigious Motor Transport Fleet Truck of the Year award by chance. Especially not with a jury of 30 experienced fleet engineers to convince. And no-one wins by resting on their past reputation, either. Even Mercedes, whose reputation's about as high as you can get in the commercial vehicle business. The winning 1831LS is the perfect example of Mercedes-Benz design evolution in action. A familiar, durable, proven chassis and cab is underpinned by a new, lighter, leaner 9.57 litre V6 low emission engine. The result? In the prophetic words of Motor Transport, "it provides the best overall package of purchase price, residual value and design to meet demanding and challenging operator requirements. Good all round performance, excellent fuel

economy and value for money are all features of the Mercedes" Vehicles like the 1831LS and its big brother, the 1834LS, demonstrate that Mercedes make trucks that are both advanced and long-lasting. With proven features like EPS



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## MANAGEMENT

Lisa Wood on a two-year-old initiative which aims to help women at work

## Opportunity knocks

Ann Thomas is a deputy manager of one of the largest flagship stores of J. Sainsbury, the British food retailer. But she only works on Sundays.

Five years ago, says Judith Evans, director of corporate personnel for the group, a 10-hour working week in such a managerial job, where she is often in sole charge of nearly 150 employees, would have been inconceivable.

The catalyst for changed thinking on how such a job could be made practical was Opportunity 2000, the business-led initiative launched two years ago to improve the position of women at work in the UK.

"Without Opportunity 2000 we would probably not have thought to ask Ann Thomas if she wanted to come back to work immediately after having her third child, and she probably would not have thought to ask us if she could," says Evans.

The campaign, she adds, provoked Sainsbury to question how obstacles could be removed to assist women's progress.

Thomas may be exceptional at Sainsbury. But the personnel department and line managers, mindful of the active interest of their chairman in the initiative (he is a founder-member), are redoubling their efforts to promote equality of opportunity among staff.

Opportunity 2000 - to which 216 British companies are now formally committed - was widely suspected of being a nine-day wonder. But the campaign's second annual report - which is published today - may go some way to alter perceptions by pinpointing initiatives and policies being developed in the participating organisations. It discusses the ideas and approaches that have worked, and those that have still to bear fruit.

Lady Howe, who chairs the campaign, says she believes there are signs of Opportunity 2000 making a difference. But she says the campaign does not promise overnight miracles. "There is still a long way to go."

Just how far was highlighted in a survey of 29,000 executives in 533 companies published last week by the National Institute of Economic and Social Research and the London School of Economics. This showed that only 8 per cent of top executives in Britain are women and that the higher up the corporate hierarchy you go the fewer women you find.



Ann Thomas: a 10-hour working week as deputy manager of a J. Sainsbury store

Paul Gregg and Stephen Machin, from the Institute, take issue with the claim that women are increasing their share of the top executive jobs - defined as everything between chief executive and middle management. They also found that women are paid less than men even if they are working in the same job. "There does appear to be a glass ceiling... and it does not appear to be cracking," they observe.

Opportunity 2000 campaigners stress that they are not just interested in getting more women into the boardroom - although the report gives several examples of "firsts" such as the Bank of England appointing its first female director. More generally, they are seeking to improve women's lot in the workplace.

Progress here, though, is uneven. Childcare Vouchers is an organisation which supplies companies with vouchers for eligible employees for the full or part-time payment of their childcare costs. It claims that only a few of the companies to sign up for Opportunity 2000 have introduced affordable and practical ways

of helping working women overcome the childcare hurdle.

The organisation has an axe to grind, but its criticism highlights the scale of the task.

Many believe the government should provide more in the way of financial incentives. At the moment, for example, tax relief is confined to workplace nurseries which, for many women, is not an acceptable solution.

DayCare Trust, a national day care charity, also points out in a report published today that fewer than four in every 100 trainees on government-funded training schemes receive any help with childcare.

As the Opportunity 2000 report underlines, costs of implementing policies, such as childcare, are a prime concern of employers (some of whom are working with budgets as low as £1,000). Many companies are opting for less expensive alternatives, such as job sharing and flexible working.

Under Opportunity 2000 there is no formal pathway to promoting

equality. Campaign companies set their own goals for increasing opportunities for women in their workforce by 2000.

Those new to the idea need to start with basics - incorporating equal opportunities into the business plan, for example, or investigating where women are in the hierarchy and then seeking to diagnose the problems which may hinder their upward mobility.

Others, however, are now in a position to measure year-on-year progress in areas such as promotion, retention and turnover rates. Marks and Spencer, the retailer, is targeting areas such as its childcare and maternity arrangements and its training programmes for investigation following its monitoring exercises. Boots the Chemist has reported a rise in the number of store staff returning after maternity leave.

Some companies have set clear targets - Iceland Frozen Foods aims to increase the percentage of female retail managers from currently below 10 per cent now to 15 per cent in two years' time. Others, including Avon Cosmetics, are investigating whether there are gender differences in pay and conditions.

The Royal Bank of Scotland is "profiling" jobs and individuals to ensure that subjectivity is taken out of recruitment and selection decisions. HTV, the television company, carried out a job evaluation in co-operation with its five unions.

Many companies recognise the need to boost confidence among women. Fox's, a biscuit-making subsidiary of Northern Foods, found AGM as theatre. Theatre is a form of communication in which complex and provocative messages are put across to large audiences. Indeed, theatre works best when there is genuine interaction between the cast and the audience.

Designing the AGM as theatre begins with deciding the messages to be communicated. Usually, there is a mix of good and bad news. Naturally, the weight of the mix determines the tone and character of the AGM: celebratory or firmly resolute.

The next decision relates to the cast of characters. In most situations, the chairman should resist the temptation to place himself in the starring role. The AGM is an opportunity to display the strengths of the

## TIPS FROM THE TOP

## Make it dramatic for the shareholders

Henry Wendt, chairman of SmithKline Beecham, offers advice on how to conduct an annual meeting

The statutory annual general meeting is something of a modern paradox. In the case of large companies, institutional shareholders holding the majority of shares seldom attend. Most chairmen are happy to see owners of 2 or 3 per cent of their shares show up. Since most ballots are cast by post, it is only in unusual cases that the vote is uncertain. Consequently, there is rarely true drama or a big decision at the AGM. It shouldn't be any wonder that many chairmen regard the occasion as a meaningless task to be dispensed with quickly.

Yet in doing so they miss an opportunity to generate considerable goodwill and understanding of the company. It is the one occasion during the year when the board and the management are on full parade and available to all shareholders for answers to direct and at times penetrating questions. The attendees are mostly small shareholders who have a strong sense of identity with the company and are predisposed to be friends. Their attitude is in many ways governed by what they learn and even more to the point, how they feel at the AGM.

With that purpose in mind, I believe it helps to think of the AGM as theatre. Theatre is a form of communication in which complex and provocative messages are put across to large audiences. Indeed, theatre works best when there is genuine interaction between the cast and the audience.

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The next decision relates to the cast of characters. In most situations, the chairman should resist the temptation to place himself in the starring role. The AGM is an opportunity to display the strengths of the

management and the board. Opportunities to bring other executives centre stage will certainly occur during the question-and-answer session, but openings should also be sought during the formal presentations. The role of the chairman is always to maintain firm control and leadership of the meeting, while also bringing forth the personality, character and talents of other cast members. The audience should leave impressed with the way the management and the board complement each other and work as a team.

It is useful to consider the stage setting. Most annual meetings tend to be rather dry affairs. They do not have to be that way. Both colour and sound can be introduced at little expense, in ways that enhance the primary messages. Music played at a low background level as the attendees take their seats helps establish the mood. I often find visual aids to be more of a distraction than a help, but used to display data they can also introduce animation and colour. For emotional impact, nothing matches video on a large screen.

A successful AGM requires an active and energetic question-and-answer session. Since it is this part of the

programme that many chairmen regard with the most anxiety, it is central to the AGM paradox. Yet it is the question-and-answer session that creates the lasting impression. A positive impression is created as much by the way the company responds to the question as it is by the answers themselves. I will always remember the occasion when during a particularly long and tense question period a feisty shareholder suggested that the personnel director get a haircut. The question - and the somewhat embarrassed response - brought the house down and changed the entire mood within the room.

The burden is always squarely on the chairman to conduct the question session in an open, understanding manner. By using his prerogative to restate and as appropriate, to reframe the questioner's basic thrust, the chairman can establish the correct tone and posture for the session. The question-and-answer session of the AGM provides a unique opportunity to create positive human chemistry with the company's natural ambassadors.

Next Monday: Sir Colin Marshall of British Airways on how to cope with a busy business trip.

## WHERE TO WATCH THE FT THIS WEEK

## MONDAY

03:30 FT Reports •  
06:30 European Business Today†  
07:15 European Business Today†  
08:15 European Business Today†  
12:30 FT Reports†  
22:30 European Business Today†

## TUESDAY

06:30 European Business Today†  
07:15 European Business Today†  
08:15 European Business Today†  
07:45 FT Reports\*  
12:30 West of Moscow†  
13:15 FT Reports\*  
15:45 FT Reports\*  
18:45 FT Reports\*  
22:30 European Business Today†

## WEDNESDAY

06:30 European Business Today†  
07:15 European Business Today†  
08:15 European Business Today†  
21:30 FT Reports†  
Data transfer. Why are Europe's telecom monopolies stifling research.  
22:30 European Business Today†

## THURSDAY

06:30 European Business Today†  
07:15 European Business Today†  
08:15 European Business Today†  
12:30 West of Moscow†  
18:45 FT Reports\*  
22:30 European Business Today†

## FRIDAY

06:30 European Business Today†  
07:15 European Business Today†  
08:15 European Business Today†  
12:30 FT Reports†  
22:30 European Business Today†

## SATURDAY

08:30 FT Reports†

## SUNDAY

03:30 West of Moscow •  
Bottomless Pit.  
How effectively are funds from the west utilised in the old USSR.

16:30 FT Reports •  
22:30 West of Moscow †

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## PEOPLE

## Nine month search puts Pow into Aquascutum

Aquascutum, the upmarket clothing group famous as Baronesse Thatcher's favourite outfit, has appointed James Pow as managing director and charged him with both reorganising the company and repositioning the brand.

First priority is to bring the company's different divisions in Canada, the US, Europe and the Far East together under one headquarters in London, and centralise functions such as buying wherever possible.

That may sound ambitious, but Pow, 42, believes his experience fits him well for the task. "My background has been in fairly rapid reorganisations of premium businesses," he explains. Most recently, he was at Dunhill, where he was managing director of Hackett, the menswear group it acquired in 1991 with a view to turning it into a global brand. Pow was responsible for opening Hackett's flagship store at Sloane Square last year.

Before that he was international sales and marketing director at Mulberry, the fashion



James Pow

designer.

His experience in promoting both those brands will equip him for what he sees as his second important task at Aquascutum: repositioning a brand which is losing its identity.

"We need to focus on what the consumer of the 1990s perceives the Aquascutum brand to be," he says. Even premium brands are not immune from change in consumer attitudes from the high-spending culture of the 1980s towards demanding value. "Young people today identify with brands that

deliver quality and value for money."

Pow plans a wide-ranging programme of market research to determine how Aquascutum should be positioned for the 1990s; he is aware that he could face resistance to change but says feedback to his ideas since he arrived at the company last month has been "very positive".

Aquascutum will certainly be hoping it has the right man, after an executive search which lasted some nine months. Pow succeeds James Stokes, who moved up from deputy chairman and joint managing director to succeed Paul Bennett when he retired as chairman in August.

Pow was educated at Broxburn Academy, West Lothian, before completing a degree in business studies, production and design at the Scottish College of Textiles, Galashiels. In addition to his time at Dunhill and Mulberry, he is a former assistant MD of Ballymore Cashmere.



The Country Landowners' Association, mouthpiece for the landed gentry of England and Wales, yesterday elected a new president, Hugh Duerdy, who spent his youthful days in banking, still retains "a liquid interest" in the City as chairman of the Pavilion wine bar in Finsbury Circus, a popular watering hole close to Liverpool Street station.

His work in City finance ended in 1975 when Mercantile Credit, the hire purchase and leasing house for which he worked, was acquired by Barclays. Duerdy, now 51, returned to take over the 2,250-acre family estate at Great Staughton in Cambridgeshire and began his climb up the CLA ladder.

As president of an organisation representing 60,000 landowners including the Duchy of Cornwall, the Church Commissioners and a number of Oxford colleges, Winchester-educated Duerdy believes landlords and farmers should be proud of their "custodianship" of the land.

At a conference last week he quoted an earthy passage from Emile Zola's novel *Le Terre* to explain the lure of the countryside: "Once the land gets you by the short hair, the bitch won't let go."

Paul Myners, chairman of Gartmore, has been elected chairman of the executive committee of the ASSOCIATION OF INVESTMENT TRUST COMPANIES.

Ray Hill, group chief executive of the Iron Trades Insurance Group, has been elected president of the CHARTERED INSURANCE INSTITUTE.

David Holt, formerly md of Slingsby Aviation, has been appointed chief executive of The NATIONAL APPROVAL COUNCIL FOR SECURITY SYSTEMS.

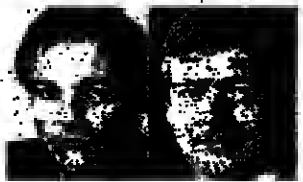
## Finance moves

Kevin Walsh has been appointed head of North American operations at Gartmore. Of the funds under Gartmore's management, 77 per cent are UK pension funds, so the company has recognised its need to diversify into other markets and has finally embarked on a project to attract North American clients to its fold.

Walsh was previously managing director of SEI International Investment Group, a US-based consultancy which, among other things, helps pension fund clients pick fund managers and where he directed its product and marketing effort. Before that, Walsh was a partner and senior account manager at Brinson Partners, also a pension fund consultancy.

Banque Indosuez, Gartmore's parent is planning to place 25 per cent of its shares on the London market.

In other moves, Vivian Bazalgette (above left) has been appointed md, and Mike Bishop deputy chairman, of Gartmore Pension Fund Managers. Peter Pearson Land, formerly md, has been appointed chairman of Gartmore Fund



Managers. Lewis McNaught (above right), formerly deputy md, has been promoted to md. Edwin Doeg and Charles Boblyn have been made directors.

Bob Dighton has been appointed sales director of T. HOARE & Co; he moves from Smith New Court. Andrew Welsh, formerly associate director of finance at Nomura International Investment Banking Division, has been appointed finance director at T. HOARE & Co.

Kevin Darlington has been appointed chief UK economist at HOARE GOVETT; he moves from UBS Securities.

Richard Piskorz has been appointed to the board of NEWTON FUND MANAGERS.

Gary Vocat has been promoted to become a director of RECORD TREASURY MANAGEMENT.

Ron Armstrong has been appointed deputy

director-general of The BUILDING SOCIETIES ASSOCIATION and the COUNCIL OF MORTGAGE LENDERS; he is succeeded as head of legal services by Michael Coogan, currently a deputy secretary. Peter Williams, professor of housing management at the University of Wales, is to join as head of research and external affairs.

Lyndon Jones has been appointed group md of POINTON YORK.

David Porter, formerly md of CLF Municipal Bank, has been appointed deputy md in charge of the UK.

Scandinavian and Dutch investment banking operation at NOMURA INTERNATIONAL. Jim Durkin has been appointed a UK equity sales director; he moves from Williams de Brod.

Barry Githins, director, securities and derivatives regulation, is to take early retirement from the SIB.

Charles Etienne-Carton has been appointed a senior vice-president and head of fixed income sales at OFFENHEIMER INTERNATIONAL; he moves from Bankers Trust International.



## Nigel Andrews looks back at the life of Federico Fellini Circus fun and High Art

I always direct the same film," Federico Fellini once said, "I can't distinguish one from another." But Italian cinema's greatest veteran, who died yesterday aged 70, kept directing the same film only in the sense that each great artist always remakes the same work. Genius cannot disguise its signature. From *Variety Lights* to *La Dolce Vita*, from *8½* to *Chiger* and *Fred*, Fellini's films were like whirlwind variety shows that had strayed into High Art. Jaunty music abounded; crowd scenes bristled with exotic or outlandish characters; and pneumatic women were paraded like circus horses whenever the director's whip cracked.

At centre-screen there was usually Fellini himself - or his favourite alter ego, the actor Marcello Mastroianni. And to emphasise the monomaniac aspects of the work, filled with surfeit and self-indulgence, the film titles themselves often incorporate their maker's name: *Fellini Roma*, *Fellini Satyricon*, *Fellini Casanova*.

There were occasional glimpses of a different kind of film-maker, especially early in his career. Movies such as *I Vitelloni* and *Il Bidone* proved he could subtly, comically infect the Italian neo-realist tradition; while sombre melodramas like *La Strada* and *La Notte di Cabiria* were modern cinema's answer to operatic "verismo".

But the carnival Fellini is still the best-known. Appropriately, he was born in Rimini, the Adriatic holiday town; as a teenager his first job was as a comedy artist for a Florence-based magazine - an experience which gave him the background, later, for his first film as director, *White Sheik* (1952), gently debunking the world of comic-book heroes.

In Rome he played truant from university law courses to work as a crime reporter for the newspaper *Il Popolo di Roma*; he then did a spell of cartoon-work and story-writing for a satirical magazine, *Marc'Aurelio*. During the 1940s he escaped military service when his medical records were destroyed during a hospital bombing; he joined a theatre troupe as set-designer and all-purpose factotum; wrote radio scripts and co-wrote film scripts.

He even helped to open a shop: the Funny Face Store, a novelty portrait studio for American GIs, specialising in instant caricatures and voice recordings. In 1944 a visitor to this shop, Roberto Rossellini, the film-maker, made Fellini his first important movie offer. The "documentary" for which Rossellini was seeking a script collaborator finally became the classic neo-realist film *Rome Open City* (1945).

Five years (and several Rossellini collaborations) later, Fellini began directing his own films. His early movies were witty, protean variations on neo-realism; often showcasing the impish pathos of the actress Giulietta Masina, whom he had married in 1943. But with *La Dolce Vita*, in 1960, Fellini's film direction broke definitively with neo-realism. This extravagant tale of Roman high life is decked out with surreal symbols (a flying statue of Christ, a beached sea-monster) and mischievously inflated minor characters, notably Anita Ekberg's fabulously endowed, fountain-spilling film star.

Marcello Mastroianni's bemused hero in the film - a Fellini surrogate, adrift in wonderland - returned three years later for the master's masterpiece, *8½* (1963) is a fantasia on themes of autobiography. Though its story has few literal convergences with Fellini's own life apart from the hero's pro-

fession, that of film-maker, symbolically it skywrites all his favourite obsessions: the diversity of womanhood; the artist as ringmaster in his own circus; fear of falling creativity; the conspiracy of the philistines. Fellini's two great stylistic trademarks, perpetual-motion camera and a post-nubbed babble of voices, created a film whose garrulous forward flow seemed to sweep up every object in its path, hurling them briefly into the air, one by one, for inspection.

To the regret of many of his admirers, Fellini did not arrest his style at this point of development. The black-and-white baroque of *8½* turned into the gaudy rococo of *Juliet and the Spirit*, roccoco soon became a filmic version of fair-ground kitsch in movies such as *Fellini Casanova* and *The City of Women*.

But even in his fitful final decades Fellini made films or individual sequences that still ran rings round most orthodox modern cinema. *Fellini Roma* is an unclassifiable mixture of documentary, travelogue and muckey-taking; its climax is a Papal fashion-show, with ecclesiastical models parading on roller-skates. *Fellini Satyricon* gives a surreal modern gloss to ancient myths. *Amarcord* is an album of childhood memories punctuated with moments of dazzling make-believe - the cut-out ocean liner riding a mid-night polystyrene sea, for example. And *Fellini Intimità* is a satire on film-making which joyously mixes the impertinent (Anita Ekberg in an in-joke cameo) with the impossible (Red Indians attacking the Apian Way).

Like Orson Welles, perhaps his only true soulmate in Western cinema, Fellini believed that movies were a magician's medium where

even the open acknowledgment of trickery could be part of the charm. He also spent much of his artistic life removing barricades between the arts. For him cinema was not just cinema: it was theatre, vaudeville, opera, circus and street fair. His aesthetic taste may sometimes have been questioned, but never the size or grandeur of his aesthetic appetite.

At a time when Europe became concerned about US cultural imperialism, especially through the cinema screen, Fellini stood out as a movie-maker who thrived while giving nothing to Hollywood. He was, indeed, one of the very few post-second world war European directors who was able to make films on his own terms and achieve a wide degree of popularity on both sides of the Atlantic.

Our monthly column on arts sponsorship will appear later this week



Fellini and Anita Ekberg during filming of 'La Dolce Vita'

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ture by spreading knowledge of classical archaeology.

Mr Friedman's researches for this work have been twofold. He prepared an impressive report on Spencer House before work started on site for the restoration. This was a crucial element as it helped to ensure a very high standard of accuracy throughout the project. As the bibliography shows Mr Friedman has gone on to discover even more sources which enrich the quality of his book. To me the most fascinating part of the book is the section entitled, "A Revolution in Taste", where the original classical sources are both described and illustrated with a revealing thoroughness. Some of this may be speculative but the publication of the illustrative sources for the Palm Room and the Painted Room in particular seem to be exhaustive. The chapter on Athenian Stuart's work on the first floor of Spencer House reveals both the author's saturation in the source material and the controlled but rich nature of Stuart's Neo-Classical style. There is nothing arid about the revival of the classical past in this house and with Mr Friedman as your dragoman the lost meaning of much of the decoration and the architecture comes intriguingly back to life.

There is a great deal in this book about people and politics - indeed you could simply read about the people and glance at the sumptuous pictures that were specially commissioned from Mark Fennies for the architectural detail becomes overwhelming. But I suspect that you will agree that this is the most enjoyable architectural book to be published for a long time - it is a brilliant story, well told with a triumphantly happy ending.

Spencer House is available for private and corporate entertaining. It is open on Sundays (except August and January). Booking enquiries: 071-499 8620.

## Ballet/Clement Crisp

### Romeo and Juliet

The Royal Ballet paid fine tribute to the memory of Sir Kenneth MacMillan during the past week-end, which marked the first anniversary of his death. His *Romeo and Juliet* was given superb revival - the ballet and the company looking fresh, vital - with three interpretations of exceptional interest. Two of these - Irek Mukhammedov's *Romeo* and Stephen Jefferies' *Tybal* on Friday - are familiar, though none the less magnificent for that. The third was the debut, at Saturday's matinee, of Sarah Wildor as Juliet. It was one of those rare, rare, occasions when a young artist seems to discover her own powers, and we watch, fascinated, as a talent reveals itself, unerring, beautiful, true.

We have seen Miss Wildor since she was a child at the Royal Ballet School - most memorably as gentle Clara in *Nutcracker*. She is now a lovely young woman, two years in the company, blonde head exquisitely placed on a long neck, with delicately-boned physique. From her first entrance as Juliet there was a sense of concentration about her playing, an artist securely inside the character, and as the performance progressed - its development sure, organic, inevitable - we saw how deeply this Juliet believed in her role, and we believed with her. She managed, and with what subtlety, to suggest the conflict in Juliet's temperament between girlishness and nascent passion, matching the sensuality that *Romeo* awakens with a child-like obstinacy. (Her flight to Friar Laurence was ecstatic, womanly; running from her family in the third act, she showed us a Juliet still awkward, impetuous). The third act rightly crowned her reading: every moment had meaning, every least action spoke. And there were incidents to which she gave entirely individual and thrilling identity - surest sign of great things to come. Miss Wildor is a talent to watch, to treasure, to nurture.

Michael Nunn made his debut as *Romeo* to this Juliet. It was a sincere, well-considered reading: the role does not offer him such challenges as did Rudolf in *Mayerling*, which he so admirably assumed last year, but it was an intelligent first sketch which he will develop. It was inevitably shadowed by the interpretation Irek Mukhammedov had given the night before. Mukhammedov's *Romeo* is a complete portrayal. The life of the character is vivid and alive with feeling; how grand is Mukhammedov's daring as he tells us of *Romeo's* infatuation for Rosaline before the Capulet ball - he looks up, as if at a full moon, and rejoices in the night's romantic possibilities. The thunderbolt of Juliet's presence, the sensual charge Mukhammedov gives everything that follows, burns through the dancing. The relationship with Tybal is no less bold. I think Stephen Jefferies the best Tybal the Royal Ballet has shown us. There is menace, of course, but Jefferies tells of the frustrations and innate fury of the man. As in *Osella*, where his Hilario is the ideal match for Mukhammedov's peerless Albrecht, these two artists respond thrillingly to each other: their duel was ferocious, far more intense than mere stage swordplay.

Mukhammedov's Juliet was Viviana Durante, giving a clear, slightly self-conscious reading, but one danced with lovely finesse. And, on a note of regret, I must record that the present run of *Romeo and Juliet* will mark the retirement of Leslie Edwards, the Escalus of the staging. On November 22 he will give his last performance as member of a company he joined in 1933. His qualities - not least a blessed enthusiasm that meant no role has ever become routine - have made him seem the very spirit of our national ballet, for which he has also guided many choreographic talents.

His reward has been our unfailing admiration and affection.

'Romeo and Juliet' continues in repertory at Covent Garden until Nov 22

## Concert/Roderic Dunn

### Damnation of Faust

Berlioz's *The Damnation of Faust* was premiered in Paris on a freezing November afternoon in 1846, to a half-empty Opera-Comique. The concert was a financial disaster. No such misfortune attended the admirable performance at the weekend which concluded the fortnight-long Canterbury Festival.

To hear a revival of this luxurious, semi-erotic French masterpiece in an English cathedral seems as remarkable as it is welcome. The festival's theme has focused on Faust this season to mark the quartercentenary of Christopher Marlowe's death. As a climax, Berlioz's "Dramatic Legend" could not have been a better choice.

The widely-admired staging at the Royal Opera conducted by Sir Colin Davis recently revived debate about the work's stage viability. Berlioz conceived it as a series of aural tableaux, incorporating material dating back two decades.

This was a performance to remember. In an acoustic distinctly favourable to Berlioz's rich orchestral resonances. Much was owed to the direction of Richard Cooke, former conductor of the LPO Chorus, well on top of the work's large scale architecture and broad sweep: the pacing intelligent (if not always quite thrilling enough), with attention to chorus leads, although somewhat neglecting his soloists.

Key to the success was the splendidly disciplined Canterbury Philharmonic Orchestra. One was con-

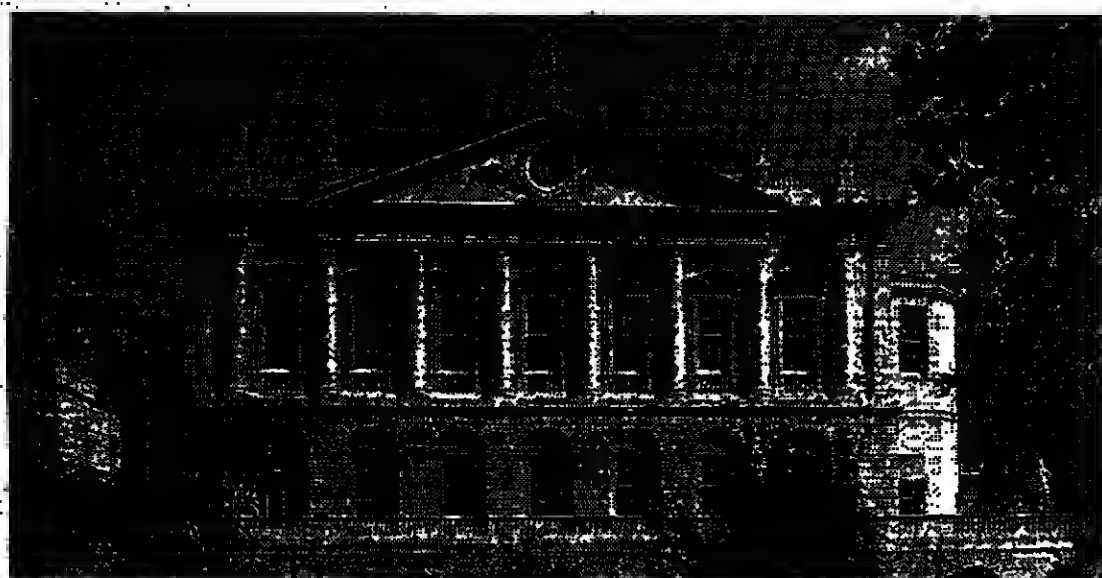
stantly reminded that here was the home of the distinctive Kent Opera. Rich-toned strings, meticulous tuning, with strong legato and alertness to Berlioz's arching melodic lines: warm brass and (apart from the odd passage) impeccable woodwind; plus two graceful, sensitive solos on viola and cor anglais.

All four vocal soloists rose to the occasion. As Faust, Martyn Hill, replacing the indisposed Neil Archer, surprised by the range of his interpretation - a bit introverted at the start, uncertain of the odd top note, yet growing into a difficult characterisation. As Faust's idealised Gretchen (Margaretta), Eleanor Bennett launched shakily, but warmed in the duet and won hearts with her ensuing romances.

The cement to this performance was the singing of Mephistopheles by Brian Bannatyne-Scott, a jovial demon whose malicious energies inspired some of Berlioz's most witty and original vocal writing. This was a fine reading: flexible and assured, with clear words and just the right amount of controlled gesture. He was well supported by an attentive men's chorus, largely abreast of the trickier passages. Upper voices were disappointing - less honed and secure, and at worst, almost inaudible. But the freshness and invention of Berlioz's kaleidoscopic score were amply displayed. The performance was clear vindication of a marvellous (and profoundly influential) work.

## Architecture/Colin Amery

### A great London mansion



Created and recreated: the house of the first Earl Spencer overlooks London's Green Park

levels: one at the level of historical research - often but not always accompanied by a degree of taste and aesthetic judgment; and two at the level of finely honed craftsmanship. Spencer House today is a brilliant example of the skills of contemporary British craftsmen and artists in paint, gliding, carving, sculpture and upholstery. Last weekend there was a highly successful "craftsmen day" to show to the public how some of the fine results were achieved.

Joseph Friedman's chronicle is a rewarding account of the whole history of the creation and re-creation of the house. He is right to emphasise the important transitional nature of the architecture of the

house. Fascinatingly, it was begun by one architect, John Vardy who died in 1785 and represented the English Palladian school of classical architecture, and was completed by James Stuart (1713-88), who was known as "Athenian" Stuart and was the pioneer of the Neo-Classical revival in England based on Roman and then Greek original sources. Friedman also points out the importance of symbolism, allegory and metaphor in eighteenth century architecture - an area that today needs exposition in a way that would have amazed our well-educated eighteenth century forebears.

The story of the building of the house for the first Earl Spencer between 1756 and 1766 is colourfully

told in this book - a clear picture unfolds of the tastes and ambitions of the patron and of his Countess, the agreeable and influential Georgiana. The selection of John Vardy as the architect was partly because he came with the site that Spencer purchased in St James's. A more interesting choice was that of Colonel George Gray as an adviser to the 21-year-old John Spencer. Little is known about Gray beyond the fact that he was both a professional soldier and Secretary and Treasurer of the Society of Dilettanti - a dining club for gentlemen who had accomplished the Grand Tour. This group, when it was not engaged in serious drinking, had a didactic purpose to rejuvenate English art and architec-

ture by spreading knowledge of classical archaeology. Mr Friedman's researches for this work have been twofold. He prepared an impressive report on Spencer House before work started on site for the restoration. This was a crucial element as it helped to ensure a very high standard of accuracy throughout the project. As the bibliography shows Mr Friedman has gone on to discover even more sources which enrich the quality of his book. To me the most fascinating part of the book is the section entitled, "A Revolution in Taste", where the original classical sources are both described and illustrated with a revealing thoroughness. Some of this may be speculative but the publication of the illustrative sources for the Palm Room and the Painted Room in particular seem to be exhaustive. The chapter on Athenian Stuart's work on the first floor of Spencer House reveals both the author's saturation in the source material and the controlled but rich nature of Stuart's Neo-Classical style. There is nothing arid about the revival of the classical past in this house and with Mr Friedman as your dragoman the lost meaning of much of the decoration and the architecture comes intriguingly back to life.

There is a great deal in this book about people and politics - indeed you could simply read about the people and glance at the sumptuous pictures that were specially commissioned from Mark Fennies for the architectural detail becomes overwhelming. But I suspect that you will agree that this is the most enjoyable architectural book to be published for a long time - it is a brilliant story, well told with a triumphantly happy ending.

Spencer House is available for private and corporate entertaining. It is open on Sundays (except August and January). Booking enquiries: 071-499 8620.

## PARIS

**DANCE/OPERA**  
Palais Garnier Tomorrow and Wed: Ballet de l'Opéra de Paris in a Jerome Robbins programme. Sat, Sun, next Mon, Tues, Wed: Tokyo Ballet presents Béjart's new choreography, entitled M, set to music by Mayuzumi Toshiro (4742 5371).  
Théâtre de la Ville Tomorrow, Thurs, Fri, Sat: Urs Dietrich of Folkwang Dance Studio Essen presents three new works. Next week: Lucinda Childs Dance Company (4274 2277).  
Opéra Bastille Tomorrow: Jiri Kout conducts revival of Götze Friedrich's production of Kalya Kabanova, cast led by Karan Armstrong, Yvonne Minton and Barry McCauley (repeated Nov 4, 6, 8, 10). Bob Wilson's new production of Madame Butterfly opens on Nov 17 (4473 1300).

**CONCERTS**  
Théâtre des Champs-Élysées

Tomorrow: Eugene Istomin piano recital. Thurs: José van Dam song recital. Sun morning: Jean-Claude Malgouyres conducts Bach, with baritone soloist François Le Roux (4552 5050).  
Châtelet Thurs: Elihu Inbal conducts Orchestre National de France in works by Liszt and Richard Strauss (4028 2840).  
Salle Pleyel Wed and Thurs: Semyon Bychkov conducts Orchestre de Paris in Beethoven and Stravinsky. The orchestra tours Japan Nov 6-25 (4561 0630).  
Salle Gaveau Fri: Marilyn Horne sings baroque opera arias with Ensemble Orchestral de Paris (4953 0507).

**JAZZ/CABARET**  
Blues guitarist and singer Spencer Bohren is in residence this week and next at Lionel Hampton Jazz Club (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042).

**THEATRE**  
French-language production of Büchner's Woyzeck, directed by Jean-Pierre Vincent, opens tomorrow at Le Rond-Point Théâtre Renaud-Barraut, daily except Mon till Dec 30 (4495 9800). Giorgio Strehler's Italian-language production of Goldoni's Le Baruffe Chiozzotte opens at Odéon-Théâtre de l'Europe on Fri, except Mon till Nov 14 (4441 3636). Peter Sellers' English-language Aschylus' The Persians three-week run at Bobigny, opening Nov 9 (4831 1145). Jorge Lavelli's Avignon Festival production of Edward Bond's Maison d'Arrêt Théâtre National de la Colline till Dec 12 (4366 4360).

## ARTS GUIDE

Monday: Berlin, New York and Paris.  
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.  
Wednesday: France, Germany, Scandinavia.  
Thursday: Italy, Spain, Athens, London, Prague.  
Friday: Exhibitions Guide.

**European Cable and Satellite Business TV**  
(All times are Central European Time)

**MONDAY TO THURSDAY**  
Super Channel: European Business Today 0730; 2230  
Monday Super Channel: West of Moscow 1230.  
Super Channel: Financial Times Reports 0630  
Wednesday Super Channel: Financial Times Reports 2130  
Thursday Sky News: Financial Times Reports 2030; 0130  
Friday Super Channel: European Business Today 0730; 2230  
Sky News: Financial Times Reports 0530  
Saturday Super Channel: Financial Times Reports 0630  
Sky News: West of Moscow 1130; 2230  
Sunday Super Channel: West of Moscow 1830  
Super Channel: Financial Times Reports 1900  
Sky News: West of Moscow 0230; 0530  
Sky News: Financial Times Reports 1300; 2030

## INTERNATIONAL ARTS GUIDE

### BERLIN

**OPERA/DANCE**  
Deutsche Oper The main event this week is the premiere on Fri of Peter Schaufuss' new production of Swan Lake, which runs in repertory this month with his versions of Nutcracker and Sleeping Beauty. Operatic repertory over the next two weeks consists of Die Zauberkraft, Die lustigen Weiber von Windsor, Don Giovanni and Gluck's Orfeo. Helen Donath gives a song recital on Thurs (341 0249).  
Staatsoper unter den Linden Daniel Barenboim conducts revivals this month of two of last season's most successful new productions - Parsifal and Die Brautwahl. Parsifal (Nov 7, 14) is a Kupfer production with a cast led by Poul Elming, Kurt Moll and Deborah Polaski. The rarely-staged Bussoli can be seen on Nov 17, 19, 21 and 28. Other highlights include a song recital by Wolfgang Meler on Nov 8, conducted by Christoph von Dohnányi on Nov 11 and 13, a chamber music recital with Barenboim and Dietrich

Fischer-Dieskau on Nov 17 and a gala concert with Plácido Domingo on Nov 27. This week's repertory includes Tannhäuser, Entführung and Aida (200 4762/2035 4494).  
Komische Oper A new ballet by German choreographer Arla Siegert, entitled Circe und Odysseus and set to music by Gerald Humel, is premiered on Sun (223 2655).

**CONCERTS**  
Philharmonie Tonight: Marcus Creed conducts Akademie für Alte Musik in Handel's Israel in Egypt. Tomorrow: Amin Jordan conducts Orchestre de la Suisse Romande in works by Gaudibert, Schumann and Shostakovich, with piano soloist Martha Argerich. Thurs: Uwe Gronostay conducts Berlin Philharmonic Chorus in Durufle's Requiem. Fri: Daniel Barenboim plays Schubert Impromptus. Sat, Sun morning, next Mon: Simon Rattle conducts Berlin Philharmonic Orchestra in Rameau and Berlioz. Murray Perahia plays Beethoven piano concertos with the BPO on Nov 16, 17, 18, Dec 8, 9, 10 and Dec 14, 15 and 18. Claudio Abbado conducts concert performances of Boris Godunov on Nov 28 and 29 (2548 8132).  
Schauspielhaus Thurs, Fri, Sat, next Mon: Marek Janowski conducts Berlin Symphony Orchestra in works by Zimmermann and Bruckner (2090 2166).

### NEW YORK

**THEATRE**  
● Angels in America: Persepolis, the second half of Tony Kushner's epic contemporary drama, is in

previews, running in repertory with part one, Millennium Approaches (Walter Kerr, 219 West 48th St, 239 6200).  
● Timon of Athens: Shakespeare's rarely performed play, updated to the jazz age in this National Actors Theatre production directed by Michael Langham (Lyceum, 149 West 45th St, 239 6280).  
● Cyrano: A musical based on Edmond Rostand's classic love story. This production, with Dutch actor Bill van Dijk in the title role, originated in Amsterdam. In previews (Neil Simon, 250 West 52nd St, 307 4100).  
● The Red Shoes: A new musical based on the 1947 film by Michael Powell about a choreographer and a young ballerina torn between her passion to dance for him and her love for the composer of The Red Shoes. Music by Jule Styne, book by Marsha Norman, choreography by Lar Lubovitch. Starts previewing tomorrow (Gershwin, 51st St, west of Broadway, 307 4100).  
● She Loves Me: The 1963 Bock, Harnick and Masteroff musical directed by Scott Ellis - a delicate, unabashedly simple story with all the humanity, integrity and charm that Broadway's glitz-laden mega-musicals lack (Brooks Atkinson, 256 West 47th St, 307 4100).  
● Desdemona: Paula Vogel's comedy takes a backstage look at Shakespeare's Othello. In previews, opens Nov 11 (Circle Repertory, 59 Seventh Ave South, at West 4th St, 239 6200).  
● Four Dogs and a Bone: A satire, written and directed by John Patrick Shanley, on moviemaking and the power plays between producer,

screenwriter, seasoned actress and aspiring starlet (City Center, 131 West 55th St, 581 1212).  
● How to Write a Play: A loosely autobiographical farce by Charles Ludlum, about a man who must either write a play or lose the grant money given to his theatre. In previews, opens next Mon. (Ridiculous Theatre Company, One Sheridan Square, at West 4th St and Seventh Ave, 691 2271).

**OPERA/DANCE**  
Metropolitan Opera Plácido Domingo sings the title role in Verdi's *Stiffelio* tonight and Sat. Repertory also includes La bohème with Veronica Villarroel, Carol Neblett and Richard Leech, plus Die Zauberkraft and Madame Butterfly. Nov 11: First night of new production of Rusekka (382 8000).  
State Theater New York City Opera has performances this week of Le nozze di Figaro and three Puccini works - La Rondine, Madama Butterfly and Tosca. The final two weeks of the season will be devoted to Rodgers and Hammerstein's Cinderella (870 5570).  
Joyce Theater Trisler Dancecompany in residence from tomorrow till Sun. Next week: Isobols. Nov 16-28: Garth Fagan Dance (242 0800).

**CONCERTS**  
Avery Fisher Hall Tomorrow: Raymond Lappard conducts New York Philharmonic Orchestra in works by Bartok, Grieg, Ravel and Tchaikovsky. Thurs, Fri, Sat, next Tues: Christopher Keene conducts world premiere of Tson Street's Bright Samba, plus music by Vaughan Williams, Poulenc and Stravinsky. Nov 12, 14: Herbert



## Samuel Brittan

# A unified Budget is worth the bother



The British Treasury is once more making noises about tax increases of up to £500 per annum. But it is not clear how far these are a response to a threatened overshoot of agreed spending limits for the next financial year and how far they represent an independent wish to tighten the fiscal stance. Only the first would be justified during a fragile and modest recovery - and then as a holding operation until the prime minister summons up the courage to confront his spending colleagues.

In any case, politicians and officials should resist the temptation to blame all their troubles on the decision of the last chancellor, Norman Lamont, to present a unified Budget covering both expenditure and taxation. Amazing though it is to retell, British Budgets have up to now covered only the tax side. The first unified Budget is due on November 30 and not before time. The last chancellor's decision to introduce it was widely commended, but is now the target of a hostile whispering campaign by grumblers who say that it is not working and that it will not last.

Something is indeed wrong. But the mistake is that the change has not gone far enough. For as Andrew Dilnot of the Institute for Fiscal Studies pointed out at an early stage, the Budget is now unified only in name. Public expenditure discussions are still taken in outline in July and in detail in autumn, a process which is now giving the cabinet so much trouble. Tax decisions are still made by the chancellor and the prime minister, after just a prudential consultation with colleagues. The main difference is that they have now to be made in a rush before the Christmas season, instead of in March.

The way forward should surely be to make the Budget genuinely unified: that is for the cabinet to discuss both

spending and tax together at the same time. This does not mean subscribing to the primitive notion of an exactly balanced Budget or even a fixed borrowing requirement. The true housekeeping point is that, whatever level of borrowing is prudent in a given economic situation, extra spending on X still means less spending on Y or higher taxes; and the more that the noses of people like Malcolm Rifkind, the British Defence Secretary, can be rubbed into this logic the better.

The grumbles about a unified Budget are fourfold. First there is said to be an undue strain on the Treasury in a short period in the autumn. The second is that the gap between a late November Budget and the beginning of the financial year in April is said to provide a heaven-sent opportunity for parliamentary mischief-makers to try to overturn the chancellor's decisions. The third is that a November Budget has to be decided on the basis of a premature, and therefore unnecessarily, guess about economic and revenue prospects, compared with an assessment made in March. There is apparently a fourth objection: that the Conservatives are depriving themselves of the opportunity of a spring election a few weeks after a tax-cutting March Budget. This is not even good politics, overlooking as it does Abraham Lincoln's saying about not being able to fool all of the people all of the time.

The answer to the first point about the overload on the Treasury is "hard luck". The seasonal pressures are a hazard of the job, as similar pressures are for farmers and fishermen. The second objection would amount to contempt of parliament if it had more substance. Where quick implementation is

possible, as in the case of VAT and drink and tobacco duties, new rates can come into effect the day after Budget Day, irrespective of when that day is. The gap in implementing say, income tax decisions, is administrative and has little to do with the financial year. Indeed, November announcements should enable new income tax rates to come into force at the beginning of the financial year in April instead of in high summer.

Thus we are left with the third difficulty, of guessing the fiscal outlook a few months before the start of the financial year. On the Treasury's own doctrines this should be a minor problem. For the official view - not mine - is that tax rates should be set to bring the Budget back towards balance over several years, accepting that progress will be slow in years of recession or modest recovery and relatively fast when growth is more rapid.

If that is so, the chancellor should not be panicked into raising taxes because recovery is slower than foreseen; nor should he become more relaxed if economic prospects improve. In either case a departure from the target balance would be a helpful stabiliser - and even economists who are sceptical of such considerations are keen on stable tax rates, based on an assessment covering a whole business cycle, for supply side reasons.

It seems that, whatever politicians and officials think they believe, the ghost of Philip Snowden, the ultra-conservative Labour chancellor who tried to balance the Budget in the 1931 depression and destroyed his party in the process, still stalks the corridors. My own proposal, made in Economic Viewpoint on October 21, is for announcing slow-motion revenue increasing reforms, desirable in themselves, like phasing out mortgage interest relief, but coupling them with offsetting tax-cutting proposals to be introduced if the economic and fiscal position allows. This is hardly throwing caution to the winds.

The combined industry losses are even bigger if domestic services and other activities are included, swelling the total to \$15.8bn for the same three-year period.

Although extensive cost cutting and restructuring, coupled with a slow but steady recovery in air travel after the Gulf conflict in 1991, have started improving the industry's overall outlook, Mr Jeannoti expects airlines to report another big loss this year.

"It will be surprising if Iata members' losses in 1993 are less than half of those in 1992," he says. That would put 1993 airline losses on international services at \$2.4bn-\$2.5bn after a record deficit of \$4.8bn last year.

All this financial agony combined with increasing liberalisation has forced the pace of profound structural change. Direct employment has fallen by some 60,000 people and about 1,000 aircraft deliveries were cancelled or deferred last year as carriers continued to reduce costs by eliminating marginal operations, increase sub-contracting and concentrate on their core airline business, according to Iata's annual report.

They have also had to adapt to changing consumer demands fuelled by increasing cost consciousness in all sectors of the economy. This has led to an overall decrease in fares, (in real terms, the economy fare between New York and London is now half what it was in 1950), a reduction in first-class services, improved business-class services and growing demand for more low-cost leisure travel seats.

Perhaps the most significant trend has been the scramble for mergers and alliances, with airlines seeking to position themselves in an increasingly global and deregulated market. The list of partnership agreements completed or under negotiation keeps growing. Lufthansa of Germany last month forged a strategic link

with United Airlines of the US; negotiations between Swissair, SAS, KLM and Austrian Airlines to combine their operations have reached a critical stage; and British Airways has bought equity stakes in USAir, Qantas and two smaller European regional airlines. These are just some of the bigger deals.

The financial losses of airlines have also provoked "unique" government responses, says Iata. "For the first time, governments on both sides of the Atlantic have simultaneously recognised the threat to the long-term viability of aviation as an integrated and global transport system," Iata notes in its annual report.

In the US, this has led to the establishment of a presidential commission to recommend steps to help restore the profitability of US carriers. In Europe, the EC has set up a committee of "wise men" which is due to suggest measures to support the recovery of the European airline industry by the end of the year.

But these government initiatives have once again raised the threat of a return to tighter regulations and protectionism. The concerns are particularly acute in Europe, where many state-owned flag carriers have been slower to restructure their activities and have been calling for more state support.

In contrast, the first tentative signs of improvement are emerging in the US industry, with several carriers, including American Airlines, the biggest US carrier, reporting profits in the third quarter of this year.

Under pressure from some national flag carriers and their government owners to reinstate some form of protection for European airlines, the European Commission has stated that it will resist any attempt to curb liberalisation in European air transport.

"What some of them are after apparently is a price cartel," says Mr Karl van Miert, the Belgian socialist who holds the EC's competition portfolio. "That, we cannot and will not allow. We won't accept a fare cartel or a capacity reduction

Some stark financial numbers will dominate today's annual gathering of the world airline industry in Dallas, Texas.

Mr Pierre Jeannoti, the director-general of the International Air Transport Association (Iata), will report to the organisation's 221 airline members that they lost \$11.5bn on international scheduled services alone between 1990 and 1992 more than all the net profits made by the industry since international airline services began just after the first world war.

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"What some of them are after apparently is a price cartel," says Mr Karl van Miert, the Belgian socialist who holds the EC's competition portfolio. "That, we cannot and will not allow. We won't accept a fare cartel or a capacity reduction

except from France. But the financial plight of most European airlines makes it more than likely that such proposals will keep resurfacing, bringing new pressures on the Commission.

Mr van Miert, who, as transport commissioner, last year pushed through the third phase of EC airline deregulation, is clearly not prepared to see liberalisation rolled back. He also has the backing of air transport liberals led by the UK and the Netherlands.

Echoing these views, Sir Colin Marshall, BA's chairman, told the EC "wise men" that the European airline industry must be supported by policies which enhance competition. He added that capacity should be limited by market forces and not by voluntary agreement between airlines and that the restructuring of the European industry should be allowed to continue to enable airlines to improve their competitiveness.

If airlines could not manage this, they should "go out of business", Sir Colin argued.

The Commission's analysis is that Europe's airlines have to

# Slow recovery on the runway

High losses and liberalisation are forcing airlines to restructure, say Paul Betts and David Gardner

Iata airlines' corporate results 1989-92					
\$bn	1988	1989	1990	1991	1992
Operating revenues	125.1	144.5	163.2	188.2	198.8
Operating expenses	114.9	140.2	152.4	167.0	200.4
Operating result	10.2	4.3	10.8	-0.8	-0.6
% of revenues	8.2	3.0	6.6	-0.4	-0.3
Net result	2.5	0.8	-5.1	-3.3	-7.5
% of revenues	2.0	0.4	-3.1	-1.8	-3.8

Iata international scheduled services 1988-92					
\$bn	1988	1989	1990	1991	1992
Operating revenues	60.9	70.7	91.0	91.7	103.5
Operating expenses	57.5	68.1	80.5	82.3	104.5
Result before interest	3.4	2.6	0.5	-0.6	-1.0
Net interest payable	1.8	2.3	3.2	3.4	3.8
Result after interest	1.6	0.3	-2.7	-4.0	-4.8

Source: Iata

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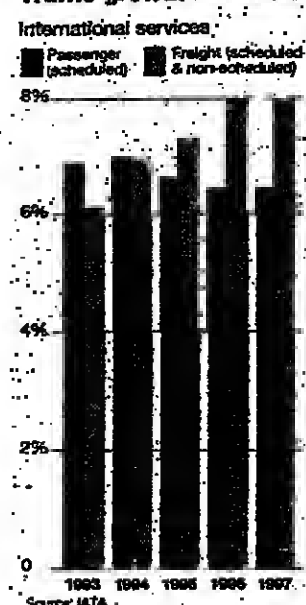
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Traffic growth forecasts



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## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL  
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### Facing the unpleasant auditing decisions

From Mr Roger Davis.

Sir, In response to my plea (Accountancy Column, August 19) for auditors not to seek refuge in rule books, the chairman of the United States Financial Accounting Standards Board is right to say that accounting standards and professional judgment should be equal partners ("Balancing rules and professional judgment", October 14).

My concern is that they could become very unequal. Mr Beresford identifies correctly the tendency for business people and auditing firms to ask for more accounting rules so as to avoid having to make difficult judgments themselves. Major business decisions are inevitably influenced by accounting standards and it is vital not to create an unnecessary accounting straitjacket on company directors.

I agree with Mr Beresford that there is more to be done through accounting standards to ensure comparability of accounts. His example of merger and acquisition accounting - and how you account (or don't account) for goodwill - is a case in point in the UK.

But his other example of accounting for foreign currency hedges illustrates my point. To achieve accounting certainty, the standard setters have traditionally associated them with the balance sheet rather than with their real purpose of protecting future cash flow, which requires more judgment.

It is that kind of conflict between accounting definition and commercial reality which we need to avoid.

I repeat my request for business and the auditing profession to take more of the unpleasant decisions for themselves. In the long run this will be good for industry and good for the profession, and it will make life easier for Mr Beresford and his fellow standard setters.

Roger Davis,  
head of audit,  
Coopers & Lybrand,  
1 Embankment Place,  
London WC2N 6NN

### No benefit to housing market

From Mr A. M. Coles.

Sir, You report, "Heroic assumptions and political realities" (October 26), that there will "probably [be] new restrictions on benefit payments to cover mortgage interest".

The exact nature of these restrictions is not clear. Nevertheless, it has been suggested in other media that the role which the state plays in protecting mortgage borrowers from the consequences of unemployment might be taken over by private insurers. There will be three major consequences of any such change, their severity depending on the extent of the reduction in state support:

(a) An increase in the number

of repossessions. It is inconceivable that private sector schemes could be as comprehensive as that currently offered under the income support regulations. Any saving on expenditure on income support would probably be more than absorbed by increased expenditure on the provision of housing to the homeless.

(b) An increase in the cost of mortgage finance, reflecting both the increased risk of lending on mortgages, and the cost of insurance premiums.

(c) Some potential purchasers, identified by private insurers as particularly vulnerable to unemployment would find it very difficult to enter the market because unemployment

cover would not be available.

At a time when the government is seeking to extend still further the groups of people able to become owner-occupiers through its rents to mortgage schemes, it is entirely inconsistent to be cutting back on the support which the state is able to offer if things go wrong. More generally, with the housing market remaining in deep recession, changes of the type being proposed will have the effect of putting back still further any meaningful recovery in activity.

A M Coles,  
director general,  
Council of Mortgage Lenders,  
3 Saville Row,  
London W1X 1AF

### Government commitment on Bosnia still strong

From Mr Douglas Hogg MP.

Sir, Edward Mortimer ("No news is good news", October 27) implies that, because Bosnia and Iraq are now less in the headlines, the government's concern, and Britain's efforts to promote peace and to raise the issue, have lessened. This is quite wrong. Notwithstanding a reduction in media coverage, these issues and the plight of the civilian populations affected remain very high on our agenda.

We are aware of the humanitarian crisis Bosnia faces as a result of the continued fighting and winter conditions. All parties have been responsible for actions which have disrupted the aid convoys. But all convoys in the area covered by the 2,300 British UN forces get through, albeit sometimes after delay. Our troops have escorted more than 1,500 convoys carrying nearly 70,000 tonnes of supplies. The RAF has flown nearly 900 flights to Sarajevo delivering more than 11,000 tonnes. We shall continue our aid effort this winter.

There can be no question of using force to fight the aid through, as Mr Mortimer suggests. This would inevitably draw the UN forces into the conflict, threatening both their security and the humanitarian effort itself. But the threat of air strikes agreed by Nato in August still stands: the Serbs and others must be in no doubt about Nato's determination to

launch such strikes if they resume, for example, the strangulation of Sarajevo.

It is true that the Bosnian Muslims' effective rejection in late September of the peace package negotiated by Lord Owen and Mr Stoltenberg has dealt a blow to the prospects for an early end to the fighting. But they are continuing their efforts, which offer the only real hope of a lasting peace.

We do not suppose that reconvening the international conference - probably in Geneva, not London - would, by itself, produce a solution. Any such conference must be properly prepared, with movement beforehand by all parties to the conflict. That is what the co-chairmen are pursuing.

As for Iraq, we have not relaxed our pressure. Nor will we do so until Iraq complies fully with its obligations, under the Security Council's ceasefire terms. We will do what we can to give political and material support to the population in northern and southern Iraq while the regime continues its repression. But recognition of an alternative provisional government is not on the agenda. Indeed, the Iraqi opposition itself is committed, as we are, to maintaining the unity of Iraq.

Douglas Hogg,  
minister of state,  
Foreign and Commonwealth Office,  
London SW1A 2AH

### The politics that does not deserve space

From Mr P B Matthews.

Sir, As a recent convert to the FT, I hope you will allow me to say how much I disagree with the letter from Jack Straw (October 26).

In considering what to publish, newspapers must remember that readers' time is limited, and hence what matters is the importance to them of politicians' speeches compared with other matter competing for space. I recently co-wrote a book on a major new piece of legislation, and for this purpose I was obliged to read every debate in both Houses of Parliament (including committees). Frankly, 95 per cent of what I had to read was drivel that did not deserve to be printed, even in Hansard, let alone in newspapers. And Mr Straw may care to note that most of the remaining 5 per cent was uttered in the House of Lords. I prefer to read a newspaper which prints things of some value.

Granted, actual decisions of government or parliament, and the occasional policy announcement, are - or may be - news, and may be reported on that basis. However, the puerile posturing of self-important, second-rate intellects is not. Hence my preference for the FT.

Paul Matthews,  
Hopkins & Wood, solicitors,  
2-3 Curzon Street,  
London EC4A 3NE

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## FINANCIAL TIMES

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Monday November 1 1993

## European union

AS OF today, the Treaty of Maastricht is legally in force. Whether they like it or not, and whether they know it or not, all nationals of the 12 member states of the European Community woke up this morning as something which last night they were not, namely citizens of the European Union (EU).

That may not make them feel any different. Its only direct practical effects are to give them the right to petition the European parliament, on matters of EC competence which directly concern them; the right to complain of EC maladministration to an ombudsman appointed by the parliament; and, if they are resident in a member state other than their own, the right to vote in European elections (starting next year) and local elections (starting in 1995).

Yet the EU is more than the EC writ large. Besides the EC itself, it includes two other "pillars". One is intended to provide it with a "common foreign and security policy", leading in time to a common defence policy, perhaps even a common defence. The other institutionalises co-operation between the member states on justice and home affairs.

Within the Union, the EC itself is significantly modified by the treaty - though the most spectacular changes, creating an economic and monetary union (Emu), are supposed to take full effect only in five, or at the earliest three, years' time. Events since the treaty was signed have made it doubtful whether either this timetable, or the procedure envisaged, are realistic. The European Monetary Institute, which will start work on January 1, should see itself not as the police force of the treaty but as a useful forum for rethinking both the path to Emu and how best to manage what may prove an extended interim period.

Taken as a whole, the treaty was drafted too soon and too quickly to be an adequate response to the collapse of communism. That has brought into being a Europe radically different from the one in which and for which the EC was built. The chance to extend western Europe's zone of prosperity and security eastwards is far too valuable and the risk of contagious instability in central Europe if the chance is missed far too great, for the EC to be able to ignore it. Hence the historic decision, made in Copenhagen last June, that "the associated countries in central and eastern Europe that so desire, shall become members of the European Union".

## Strategic issues

But to meet the needs of a new and wider Europe the EC will have to adapt in ways different from, and more radical than, the changes that come into force today. The principle of the sacrosanct *acquis communautaire* - that new members must adapt to arrangements previously agreed between existing members, rather than vice versa - will simply not work when what is envisaged is an expansion that will eventually double the number of member states, bringing in new members with very different political and economic traditions.

It is true that that expansion will take some time. But it would be folly to imagine that the problems can be solved by dealing with them piecemeal, in a succession of negotiations with small groups of applicant countries. On the contrary, that procedure would virtually ensure that the strategic issues were not confronted and that the end product was utterly incoherent and unworkable.

As things stand, the EC is pursuing enlargement negotiations with four extra countries, and is due to hold an intergovernmental conference in 1996 to revise the union treaty as far as seems desirable in the light of experience. It might make more sense to bring the conference forward and combine it with the enlargement talks, so that the parliament and electorates of all 16 countries could consider the results simultaneously.

On the day-to-day level, the immediate task for the 12 must now be to try to operate the institutional machinery provided by the treaty and see how it works. But that should be combined with serious thought at the strategic level about the union of the future - a process which cannot be confined to 12 states or even 16. All the likely future members of the union must be involved in it, which means that some sort of skeleton institutional structure for it should be established as soon as possible.

It is clear that a union of the size and diversity envisaged cannot be highly centralised. It should have a single, open market, but its member states must be free to experiment with measures to alleviate their employment problems and to decide, within limits, their own macro-economic policies. For unless it can achieve sustained economic growth and unless it can reduce unemployment well below its current levels in both eastern and western Europe, the union is doomed to fail. It faces a formidable challenge from the new and dynamic economies of east Asia. It has no hope of meeting that challenge if it seeks to impose on all its members the social regulations that the most prosperous still think they can afford.

## Open relationships

Full economic and monetary union of such a large area could only come about over several decades, if at all. Even then the national identities of the member states and the desire of their peoples to retain control of their own destinies, would have to be carefully entrenched and protected. They would not tolerate any attempt to merge them into a single state, even a federal one.

There could and should be no question of such a union fencing itself off from the rest of the world with tariff or non-tariff barriers. On the contrary, Europe can remain prosperous only if it maintains open relationships with the rest of the world, particularly in trade and investment. Indeed, the union should play a major role in securing global economic order.

Yet to talk of "playing a role" implies a capacity to take decisions and to act on them; and a union of that size will not be able to avoid responsibilities in the area of physical as well as economic security. So although "widening" may rightly be seen as the enemy of "deepening", when the latter means a highly intrusive central power, the same is not true when "deepening" means strengthening the ability of the union to decide and to act within the areas agreed.

In matters essential to its functioning and survival - notably internal and external trade, free movement of capital and labour, but also the key areas of foreign and security policy, including immigration, asylum, the fight against transnational crime and at least some aspects of defence - decision-making processes will need to be streamlined and sovereignty pooled. The union will not be effective in a crisis if its every move has to be unanimously approved in advance by the representatives of 20 or 30 separate bureaucracies. A central question will be to concern the necessary increase in the voting weights to be exercised by the large countries within the community.

It will obviously be a long time before even all the existing members, let alone all the future ones, are ready to make the sacrifices of sovereignty required for an effective union in this sense. Some, moreover, will be more interested in participating in the economic and monetary aspects, while for others the issues of physical security will be paramount. It is therefore inescapable that those who are ready to act together in a particular area should move ahead and do so, using or creating whatever institutions are necessary. That is already happening with border control (the Schengen Treaty), with defence (the Western European Union), and with Emu even if Maastricht exchange rates. It would happen for Emu even if Maastricht were applied to the letter, since not all member states would be ready to stage three at the same time. "Variable geometry" is not something to be ashamed of. It is in fact the only way a viable European union can be built.

It was one of those rare shifts of perspective that make the world suddenly look a very different place.

It came courtesy of Mr George Fisher, one of America's most respected managers, who caused some surprise last week by moving from the chairmanship of high-flying electronics group Motorola to head Eastman Kodak, the struggling photographic products giant which had ousted the previous chairman, Mr Kay Whitmore, because of its lacklustre financial performance.

What, in addition to an extremely generous pay package, would prompt Mr Fisher to exchange his comfortable job for such a bed of thorns and abandon suburban Chicago for the stolid provincialism of Rochester, Kodak's home town in rural upstate New York?

The 52-year-old Mr Fisher explained he had a vision of Kodak playing a leading role in the "information revolution" - shorthand for the convergence of the communications, computer and information sectors into one giant multi-media industry, tied together by their ability to transform data into common, digital electronic form.

"I have lain awake for the past two nights thinking about the possibilities," he enthused, adding that while 90 per cent of his ideas might not work, 10 per cent of them would be "killers".

On one level he was stating the obvious: Kodak, at heart a chemicals company, knows its long-term prosperity depends on it mastering the electronics revolution which is transforming photography, along with so many other industries.

The company has, after all, poured vast sums of money into electronic experiments over the past decade. And many of them have been failures - a reminder that Mr Fisher's grand schemes may be devilishly hard to deliver.

The importance of his remarks was that he presented a snapshot of a bold, aggressive and optimistic enterprise, riding the crest of a technological wave - and the picture carried a degree of conviction, thanks to his successful career so far on the cutting edge of the electronics industry.

That is a stark contrast to today's popular image of Kodak. For it is a company, lacking any compelling vision, which has been defined for a decade or more not so much by its possibilities as by its problems. Its stumbling attempts to overcome these present a case study in the difficulties of shaking up a rigid, corporate culture.

Ever since the 1970s, the company, which pioneered the mass-market photography industry and remains the world's largest manufacturer of film, has been haunted by two big threats.

One is electronics, which allows images to be created without the chemical process which has characterised the photography industry since its birth - the sensitivity to light of silver halide salts. Electronic cameras, ranging from simple consumer camcorders to sophisticated still cameras, have been nibbling away at the market for traditional film, although they do not yet pose a serious threat to it and may not for many years. This is partly because no-one has yet invented a cheap, high-quality, digital still camera and partly because silver halide is still unrivalled as a medium for capturing the sharpest, most subtle images.

The other threat to Kodak is more immediate. It faces increasing competition in the film manufacturing business - the company's financial engine, or, more accurately, the stream of cash flow from manufacturing of rival branded and own-label goods, sold at a discount to Kodak's product.

Its arch-rival is Japan's Fuji Photo Film, known for its bold colours and a history of innovation, but others include Germany's Agfa and America's 3M.

The competition has been growing for several decades - a period when growth in the western world's consumption of film has slowed from around 10 per cent a year to a modest 4 per cent.

## Boo to EU?

For all you folk soundly asleep at midnight last night, unmoved by the passing of a momentous historic occasion, welcome to European Union.

"Nothing could better illustrate this stillborn treaty than its coming into effect on the eve of the day of the dead." One of many to remark on the *ennui* with which the treaty's coming is greeted, French far-right nationalist Jean-Marie Le Pen may have a point.

By contrast with the short history of the European endeavour, All Souls' Day was first celebrated 995 years ago at the behest of Odilo, abbot of Cluny. He had been struck by the tale of a pilgrim returning from Palestine who had been wrecked on a rocky isle, home to a hermit. The pilgrim had promptly been led to a fiery crevice, from which issued the groans of tormented souls. The good abbot duly ordered that a day be set aside to commemorate all those in purgatory.

How long, then, should Europe's politicians suffer before they are forgiven for signing Maastricht?

## Hot property

The rest of Europe may fiddle, but the mighty Deutsche Bank

Kodak's new chairman wants the group to play a leading role in the information revolution, writes Martin Dickson

## Focusing on grander horizons

## Eastman Kodak the full picture



George Fisher, chairman and chief executive

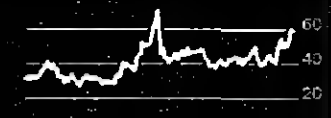
**1992 IMAGING:**  
Sales \$7.4bn. Earnings \$1.2bn. Makes film for the consumer and professional markets, cameras and photo CDs which allow the electronic storage of images.

**INFORMATION:**  
Sales \$4.1bn. Losses \$151m. Makes office copiers and printing systems.

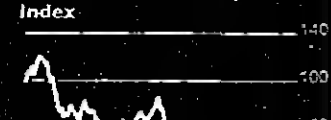
**HEALTH:**  
Sales \$5.1bn. Earnings \$583m. Includes Starling Winthrop, manufacturer of pharmaceuticals and consumer health products; clinical diagnostic business; x-ray film business; LSP products, which makes household cleaning products.

**CHEMICALS:**  
Sales \$3.9bn. Earnings \$494m. In process of being spun off to shareholders as a separately quoted business.

**Share price (\$)**



**Relative to S&P Composite Index**



**Net income (\$bn)**



Source: DataStream

Despite years of competition, Kodak still commands well over half the global film market and may even have been gaining share in some countries, as its reputation for quality - its single most important asset - recovered from a dip in the 1980s. It retains one of the world's most powerful brand names.

The trouble is that a combination of sluggish sales growth, loss of market share and pressure on prices has held back its photographic profits, while the company has poured the cash from this business

todeed. Kodak's 1992 net income of \$1.5bn (\$921m), on sales of some \$20bn, was slightly lower than its income in 1982 and the company is forecasting operating earnings this year no higher than last.

Many of the company's problems are personified in 61-year-old Mr Whitmore, who became chairman in 1990. He is a cautious, kindly man who joined Kodak as a film manufacturing engineer in 1957 and is steeped in the company's paternalistic culture. Repeatedly prodded by shareholders and the board, he started drawing up a plan of action this year to improve the company's performance, including cuts in the research budget and the spinning off of its bulk chemicals subsidiary as a separately quoted company.

But he seemed unwilling to take the tough action needed to boost earnings from the current 5 per cent of sales to the board's 10 per cent target, including severe job losses. And he appeared unable to articulate a clear growth strategy.

Yet while Mr Whitmore has become the fall-guy, the roots of Kodak's problems stretch back through at least two other chairmen - and arguably to the origins of the company set up in Rochester in 1880 by George Eastman, a high school drop-out.

Eastman, a marketing genius who sold the world's first simple camera under the slogan "you push the button, we do the rest," built Kodak into the dominant force in the industry, at one time commanding some 90 per cent of the film market. He was also a pioneer in labour relations, lavishing generous health care and retirement benefits on the

workers of Rochester, a city whose most striking landmark remains the solid, square tower of Kodak's headquarters.

Kodak's extraordinary success, combined with the insularity of Rochester and the company's dominance of the town, bred a mixture of complacency and arrogance.

Kodak found Japanese rivals stealing a lead with easier to use cameras, faster films, more efficient processing and marketing innovations such as the disposable camera, which is thrown away after its

**When Kodak started realising its problems, its efforts to right matters were often half-hearted, ill-focused, or wrong**

pre-packed film is processed.

Its arrogance was demonstrated most clearly in its reaction to Polaroid's invention of the instant camera. Kodak first dismissed it as a fad, but belatedly followed Polaroid's lead - only to be forced from the market by a 15-year patent infringement suit which cost it \$925m in a 1991 settlement.

Even when Kodak began to realise its problems, its efforts to right matters were often half-hearted, ill-focused or just plain wrong. To the film business, for example, it took an expensive gamble on disk cameras - small cameras with film mounted on a disk - which it halted in 1982 as the "new engine which

will drive amateur photography." But consumers favoured the simplified 35mm cameras pioneered by Japanese rivals, which produced higher quality pictures. Kodak abandoned the disk five years ago.

It made an abortive foray into marketing Japanese-built camcorders and squandered a lead over Xerox in photo copier design.

It diversified into a bodge-podge of businesses (many of them sold during the past year), such as Alex, the newspaper copy processing system. The spree culminated in 1983 with the \$5.1bn purchase of Sterling Drug, a pharmaceuticals and over-the-counter drugs company.

Kodak could advance a plausible rationale for a pharmaceuticals acquisition: its chemicals expertise has given it a wealth of formulae which could be useful to a drugs company. But it paid a fancy price for Sterling, a company with a thin research pipeline which so far has failed to pay its way while landing Kodak with a vast debt burden.

However, the record is not universally dismal. In the electronics field, Kodak and its Dutch partner Philips have scored a considerable coup with their invention of the photo CD system, introduced last year. This involves scanning ordinary silver halide photographs into digital form and then storing them on discs, like compact records. Using a photo CD player, the pictures can then be displayed on television or computer screens.

But while increasingly popular with business users, this transitional technology between the silver halide and digital worlds has failed to take off in the important consumer market. "It's not inexpensive, it tends to be complicated for the average consumer and it's just not walking off the shelves," says Mr Eugene Fram, professor of marketing at the Rochester Institute of Technology. To other words, it's not a profits blockbuster.

Kodak may have some significant digital inventions in the pipeline. One rumour suggests it is near to unveiling a camera developed jointly with computer company Apple. Yet some critics argue that the company has been reluctant in the past to commit wholeheartedly to electronic photography, for fear of the damage this could cause to the silver halide side.

To the extent that electronics needs a shot in the arm, it should get one from Mr Fisher, whose whole career has been spent in this industry - first at Bell Laboratories, the American Telephone & Telegraph research centre, and since 1976 at Motorola, where he has played a central role in turning the company into a leading manufacturer of mobile telephones and pagers and the world's fourth largest semi-conductor manufacturer. But his most immediate problems will be more prosaic and unpleasant. Despite little experience in corporate retrenchment, he needs to cut costs quickly - possibly with job losses above the 10,000 reluctantly announced by Mr Whitmore in August - to increase cash flow and reduce Kodak's debt burden.

He may also sell peripheral assets. He intends to keep the healthcare division as one of two "pillars" of Kodak, alongside imaging, having been pleasantly surprised by an independent report on the business prepared for him by an investment bank. But analysts think the barely profitable photo copier business might go and also the household products subsidiary.

No less important for the long-term will be rebuilding the management team - a task at which Mr Fisher is said to excel - and instilling to it a greater degree of marketing expertise than Kodak has displayed recently.

As a cure for myopia, Mr Fisher might also consider moving the headquarters from Rochester. As it is, his first comments have raised Kodak's sights from the burndrum, but necessary, task of restructuring to far grander horizons of technological triumph.

Visions, of course, are two-a-penny, and it will be no easy matter to turn this champion of the first industrial revolution into a winner in the next. But at least it's a start.

## OBSERVER



Thursday to have a look around.

Then again it is perhaps not a long-term solution. Intended to be redolent of Marie-Antoinette's village in the grounds of Versailles, the name of the building could prove something of an embarrassment, as EU enlargement progresses. Not everyone will have forgotten the 1920 Trianon treaty according to which two thirds of Hungary's territory was confiscated after the first world war.

## Gas bags

It was, by all accounts, a very auspicious meeting, when Cedric Brown, chief executive of British

Gas, first sat down with his new regulator, Clare Spottiswoode. Spottiswoode, who takes over from Sir James McKinnon today, invited herself round a few days ago for an hour's introductory chat. The pair hit it off so well that she stayed for two and a half.

"It was very constructive and wide-ranging," beams Brown. "We talked about issues spanning the whole breadth of the business to a way which we'd never done before. It bodes well."

Which marks something of a departure from the stormy encounters that characterised British Gas's relationship with Sir James in the bad old days.

Even McKinnon has mellowed a touch. At his farewell party last week, he spoke almost fondly of the people "in that building down by the river" - not that he could bring himself to mouth the name of the company inhabiting the Thameside headquarters.

## Knock knock

Guess who's moving in next door to Lord Rothschild, Rupert Murdoch and John Paul Getty II in a particularly salubrious corner of St James's, just off London's Green Park? Popping round for a cup of sugar any moment now will be Tiny Rowland's *bête noire*, Dieter Bock, the German financier, who last week rechristened his Lomha colleague as his "dear disjoined chief executive".

The building containing Bock's new flat was designed in 1980 by the high priest of British modernism, Sir Denys Lasdun. Being something of a design freak himself, Bock is in the process of gutting the apartment to return it to its former glory.

While Observer is not party to the price at which Bock secured his new pad, the asking price, for a 32-year-lease, was £1.8m, with service charges in excess of an annual £25,000.

Apparently the basement car parking space costs another £5,600 a year - which seems a bit steep for someone whose favourite modes of transport are supposed to be a 2CV and a bike.

## Old song

The professional advisers behind the rescue of Canary Wharf seem somehow to have preserved their sense of humour during the last few months of negotiations. But, as children, they were clearly all far too serious-minded to watch cartoons.

The company that rises Phoenix-like in place of Olympia & York to control the Docklands development is called Sylvester Investments, apparently named after the cartoon cat that pursued Tweety Pie, the canary.

Only problem is, in the cartoon Tweety Pie was never caught. Unlike the bankers and other creditors to Canary Wharf...



## Delors gives hint that he will not stand for the French presidency

By Lionel Barber in Brussels

MR JACQUES DELORS, European Commission president, yesterday gave the clearest hint to date that he may not stand in the 1995 French presidential election.

Mr Delors, 68, said in an interview with the *Journal du Dimanche* that he had no intention of quitting his job in Brussels before the end of his final term in January 1995. "I'm going to serve to the end," he said.

Mr Delors' suggestion that he may bury his ambitions to enter the Elysée defies his continuing strong showing in French opinion polls. But it appears driven by an unwillingness to risk splitting the French Socialist Party,

■ The European Union slips quietly into life Page 2  
■ Editorial comment Page 11

which has just rallied around Mr Michel Rocard, a certain candidate in the spring 1995 election. A second factor seems to be a desire to end his 10-year career as Commission president on a high note after the traumatic but ultimately successful ratification of the Maastricht treaty, which enters force today.

Mr Delors has told friends that he accepts he has lost the battle for faster European political and monetary integration, but he remains determined that his

forthcoming White Paper on competitiveness will prod European leaders to tackle mass unemployment and restore economic growth.

In the interview, Mr Delors spoke of a "new deal" for Europe and expressed satisfaction with the outcome of last Friday's special EC summit in Brussels, whose most significant decision was to locate the European Monetary Institute, forerunner of the future EC central bank, in Frankfurt.

EC leaders agreed to widen the scope of an Ecu 8bn (\$9.53bn) European Investment Bank leading to include energy, environmental and inner city projects rather than simply transport-related areas. This should

speed up disbursement of funds from the present level of Ecu 3.5bn, an EC official said.

The summit did not tackle the unemployment crisis in Europe, preferring to await the presentation of the Delors White Paper at the regular summit at the end of the Belgian presidency in December.

But the ideological divide between a deregulation-minded UK government and others, such as Belgium and Denmark, who prefer a less abrasive approach to trade unions suggests a hot summit in December.

Mr Delors made clear that, even if he is not a formal candidate in the French presidential race, he will not hesitate to enter the debate.

## Airlines likely to suffer losses of \$2.5bn this year, says Iata

By Paul Betts, Aerospace Correspondent, in London

AIRLINES are expected to lose a further \$2.4bn-\$2.5bn on international scheduled services this year, after losing \$1.5bn in the three previous years, the International Air Transport Association warns in its annual report today.

In spite of some tentative signs of improvement in recent months, the IATA members of Iata, the airline trade organisation, do not expect a rapid improvement in profitability. At best, the industry is expected to break even next year, with the possibility of a reasonable profit in 1995 or 1996.

"Even then, we are not talking of healthy industrywide profits of the order of 5 per cent," says one of the airline industry analysts.

said. The main cause for the heavy losses has continued to be overcapacity, provoking fare wars undermining yields, says Mr Pierre Jeannot, Iata's director general.

He notes some improvements this year, with airlines restructuring operations and capacity matched better to passenger demand. Iata also expects the trend towards more consolidation through mergers, partnerships and commercial alliances to accelerate.

After increasing by 10.3 per cent last year compared with 1991, Iata expects international passenger traffic to grow by an average of 6.6 per cent a year between now and 1997.

Last year's increase reflects recovery from the dismal performance in 1991, when passenger numbers declined for the first time as a result of recession and

the Gulf conflict. The latest five-year passenger growth forecast is between 1 and 2 points lower than forecasts made before the 1991 air transport crisis.

Traffic to and from western Europe - the largest international market - is expected to grow by 5.9 per cent a year.

Northern Asia is expected to show annual growth of 8.7 per cent, and south-east Asia by 9 per cent a year. The fastest growth is expected in traffic to and from eastern and central Europe at 10.2 per cent a year. North-eastern Africa and central-western Africa are expected to show traffic growth of only 4.5 per cent a year.

IATA expects average annual world cargo growth of 7.2 per cent between now and 1997.

Slow recovery on the runway, Page 10

## Russian banks opt to invest abroad

Continued from Page 1

year, a lot of money is in western banks simply because it is the safest place for it. If dollars are not lent to customers inside Russia, they are automatically transferred to correspondent accounts in the US for lending on capital markets there.

The state-owned Vnesheorgbank, the foreign trade bank, had \$3.54bn in correspondent and investment accounts at January 1 this year, with \$36.8m lent inside Russia. This is separate from illegal capital flight.

According to Foreign Economic Relations Ministry figures quoted by the report, Russia in 1992 lost \$6.4bn through unfavourable barrier deals where Russian exporters underestimated the value of what they were bartering to keep the difference abroad in undeclared accounts.

## THE LEX COLUMN Ofwat's water works

Next Thursday is an important day for the UK water industry. Ofwat will produce the methodology for calculating price caps up to the year 2000. The market will probably focus closely on the rate of return that water companies are allowed on new investment. The industry seems resigned to an outcome towards the lower end of the 6.5 to 7.5 per cent range suggested by the Monopolies and Mergers Commission for British Gas's pipelines business. Ofwat will probably also disclose its method for measuring the companies' asset base. These are the main theoretical tools for setting price limits in the second half of the decade.

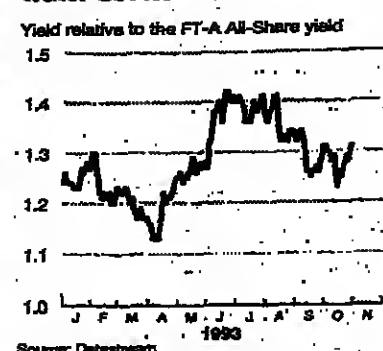
The snag is that Ofwat may have to bridge a gap between theory and practice. A lowish rate of return would leave companies such as South West and North West with weakened balance sheets. Ofwat is therefore likely to leave open the option of more relaxed price limits from some companies to keep interest cover in shape. But it seems too much to hope that the regulator will say how far it thinks each company's financial ratios might be stretched. Without a steer on that point, judging the final outcome of the review will still be a matter of guesswork.

Exactly how much capital expenditure will have to be financed through the second half of the decade will also remain uncertain. The government's mischievous on the subject last month left open the possibility of renegotiating Europe's tougher water purity standards. That might cut Anglian's spending plans by anything up to \$500m over five years. But negotiating with Britain's EC partners takes time. The chances are that the industry will be back talking with the regulator even after a settlement has been reached on the final price caps.

### Lloyd's trusts

While the gaggle of Lloyd's insurance funds look likely to gain investment trust status, they have little in common with conventional trusts. The net asset value of Lloyd's trusts' bond and equity holdings will be easily measured. But the real balance of risks and rewards lies with underwriting exposures at Lloyd's. Profits and losses from underwriting can not be quantified until the 1994 underwriting year closes, in three years' time under Lloyd's accounting rules. Without a secondary market in syndicate participations, these exposures can not be easily valued in the meantime.

### Water Sector



Source: Datastream

Lloyd's trusts should thus perform like insurance companies, trading at a premium or discount to the value of their underlying investment portfolio, depending on the underwriting outlook. How investors are expected to judge the climate at Lloyd's is a complicated issue. Composite insurers are already vulnerable to hurricanes and earthquakes, but Lloyd's syndicates carry a far higher gearing to such unpredictable catastrophes. Claims arising in obscure US courtrooms can have equally damaging effects. That argues for a strict disclosure regime to ensure equal access to information. Individual names at Lloyd's receive quarterly reports, including claims figures relating to the syndicates in which they participate. Stock market investors have a right to expect equal treatment, not to mention stock exchange announcements when the *Lutine* bell tolls.

### US economy

A series of economic statistics this week - from purchasing managers' surveys to Friday's employment report - should confirm that the US economic recovery has gathered pace in the second half of the year. Growth forecasts for the period have increased to an annual rate of 4 per cent, with the main impetus being provided by consumer spending and housing activity. Quite why consumers are spending more freely is something of a mystery, given that consumer confidence remains subdued and earnings are not rising rapidly.

Whatever the cause, the surge in consumer spending may have an impact on manufacturing as companies rebuild depleted stocks. That should be sufficient to support growth into the early part of 1994. To maintain the recovery beyond that will require an increase in employment which will only come if companies believe that the improvement in demand is sustainable.

The economic upturn has not as yet disturbed the bond market, since inflationary pressures remain subdued. Nor is the Federal Reserve likely to tighten short-term interest rates until it is convinced that a strong and sustainable recovery is in train. With funds flowing out of deposits, bond yields and equity prices may be sustainable for the moment, even though the gathering recovery brings the prospects of a Fed tightening nearer. While attention is focused on the Federal Reserve, the first signs of an end to the equity bull market will probably come from weakening bonds rather than rising short-term rates.

### British Gas

Reports that British Gas considered breaking itself up before it went to the Monopolies and Mergers Commission will surprise those who have heard the company argue so vigorously against the idea. In part, its opposition represented understandable negotiating tactics while the MMC was deliberating. Yet the way in which the company has switched ground threatens to undermine its negotiating position. British Gas has thought about break-up, fought it tooth and nail, accepted it with alacrity when financial inducements were offered and now seems prepared to drop the idea since it is getting little support at the Department of Trade and Industry.

The DTI is a keen advocate of competition and wants to see it introduced as quickly as possible. Yet at a time when VAT is being levied on domestic fuel, passing the costs of introducing competition on to consumers would hardly be an attractive political option. If the company's lobbying credibility is dented, it risks being saddled with competition, falling market share, a squeeze on profits and no regulatory relief. That would leave the company no better off than it was before it asked for the MMC reference. Shareholders should also be nervous, since if the financial noise were to be tightened much further, dividend prospects could start to look uncertain. The consensus may be that appeals to Gas's rotation prospects can carry little weight now, but under those circumstances investors could justifiably conclude that they were sold a pig in a poke.

## Dublin puts pressure on Unionists

Continued from Page 1

being unwilling to discuss the proposals. However, he said he would drop the proposals if he was convinced that he had become an obstacle to peace.

"If the prime minister tells me that he has a peace process with the Irish government that is going to produce a total cessation of violence, and he convinces me that my dialogue is stopping that, then obviously I am not going to be an obstacle to that," he said.

Downing Street said Mr Hume had not requested a meeting with Mr Major. However, the prime minister is willing to meet party leaders, including Mr Hume, at any time. The British government is determined not to be seen to be talking to the IRA through Mr Hume.

## Saturday night dance that ended in terror

Continued from Page 1

tary organisation, the Ulster Freedom Fighters, fired indiscriminately on the customers. Seconds later, seven people, three Protestants and four Roman Catholics, were dead and several others seriously injured. One of those killed, 64-year-old former soldier John Burns, had no qualms about socialising with his Catholic former neighbours. Although he left the village several years ago, he always returned for the Saturday night dance with his wife. She is fighting for her life in hospital.

As a former member of the Ulster Defence Regiment, he would have been considered a target by the IRA. But Mr Burns would never have dreamt that his co-religionists would be the men to shoot him dead.

There was no perceptible mood of revenge on the streets of the town, home to a nationalism moderated in part by its past. The town was built during the second world war when many of its residents worked for the Ministry of Defence at the nearby Eglintown airfield.

The 2,000-strong community is a source of support for Mr John Hume's Social Democratic Labour Party. Sinn Féin candidates have lost their deposits in local elections.

A few miles up the road, a hitch-hiker heading into Lmavady for a Sunday drink summed up his feelings: "I am a Catholic but I have a drink in a mainly Protestant bar. I hope I'm wrong but it's possible I may be asked to leave. There's just no hope for this community in the short term."

## De Benedetti prepares to surrender

Continued from Page 1

altered the nature of the charges. In effect, they are alleging that Mr De Benedetti was a willing party to the payments and actively connived in them.

Until now, the essence of Mr De Benedetti's defence has been that he was forced to make payments to ministry officials and their political masters. To demonstrate that, he said that in 1987, when he refused to comply with demands for money, Olivetti did only £23bn worth of business with the posts ministry. A year later, when commissions had been arranged, business jumped to £204bn.

All the other businessmen involved in Italy's corruption scandals have used a similar defence.

**FT WORLD WEATHER**

**Europe today**  
High pressure extending from southern Norway to the Black Sea means that northern Europe will remain tranquil and dry with a mixture of sunshine, fog and patchy low clouds. Temperatures will continue to be lower than average for this time of year. In the Mediterranean, conditions will be changeable as a band of low pressure is still covering the area. Strong winds and heavy rainfall are expected in the Gulf of Genoa, south-eastern France and northern Italy. A separate low pressure belt near Portugal will cause overcast skies, rain and thundery showers over Spain. There will be isolated showers in the eastern Mediterranean.  
After morning fog, sunny and chilly conditions will prevail in the CIS with some scattered snow showers in far northern regions.

**Five-day forecast**  
Conditions will continue to be tranquil and dry in northern areas as depressions from the Atlantic advance very slowly. It will be windy and changeable in Iceland. Temperatures will remain constant in most areas except the northern regions of Finland and the CIS, which will get colder with light to moderate frost during the day. The weather in the Mediterranean will remain very unsettled.

**TODAY'S TEMPERATURES**

Location	Minimum	Maximum	Location	Minimum	Maximum
Abu Dhabi	24	34	Frankfurt	8	15
Accra	24	32	Geneva	8	15
Algiers	18	25	Gibraltar	15	22
Amsterdam	10	15	Hamburg	10	18
Athens	18	25	Heidelberg	10	18
B. Aires	18	25	Hong Kong	22	30
Bombay	24	32	Houston	10	18
Buenos Aires	18	25	Los Angeles	10	18
Cairo	24	32	Madrid	10	18
Calcutta	24	32	Moscow	10	18
Caracas	24	32	Nairobi	18	25
Chicago	8	15	Rangoon	18	25
Cologne	8	15	Reykjavik	8	15
Dakar	24	32	Rio	24	32
Dallas	10	18	Rome	15	22
Dhaka	24	32	S. Francisco	10	18
Delhi	24	32	Seoul	10	18
Dubai	24	32	Singapore	24	32
Dublin	10	18	Sydney	18	25
Edinburgh	8	15	Taipei	18	25
Geneva	8	15	Tokyo	18	25
Havana	24	32	Toronto	10	18
Harbin	10	18	Tsukuba	10	18
Helsinki	10	18	Ulaanbaatar	10	18
Hong Kong	22	30	Vancouver	10	18
Houston	10	18	Vladivostok	10	18
Los Angeles	10	18	Warsaw	10	18
Madrid	10	18	Wellington	10	18
Moscow	10	18	Winnipeg	10	18
Nairobi	18	25	Zurich	10	18
Rangoon	18	25			
Reykjavik	8	15			

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**Lufthansa**  
German Airlines

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**CORBY WORKS**



**INSIDE**

**Resistance to 1p  
Ferranti bid grows**

Shareholders of Ferranti International, the UK defence electronics group, are to meet to discuss ways of resisting a bid which offers them only 1p a share. They have commissioned an investment consultancy to explore alternatives. Page 14

**A puritan at GPA**

The new chairman of GPA, Mr Dennis Stevenson, will not be letting the Atlantic or be photographed at charity galas. His stark and somewhat puritanical view of management is in marked contrast to his predecessor Mr Tony Ryan. Page 14

**Shipbuilders go against the tide**

Japanese shipbuilders reported an increase in profits over the last three years that ran against the tide of most companies' earnings. Page 15

**Slowdown for JVC**

The slowdown in the domestic market and the strength of the yen this year dealt a particularly hard blow to JVC, the maker of video cassette recorders and other audio-visual products. Page 15

**California still dreamin'**



The depth of California's recession has taken most local forecasters by surprise. But there is surely reason to believe that the Californian dream is on hold rather than cancelled. Back Page

**Prospective p/e ratio**

The latest prospective p/e ratio for the "500" index for calendar 1993 is 16.4 (last week 16.2). This compares with an estimated p/e for the "500" of 21.2 (20.9) for calendar 1992, calculated by IBS, based in New York. The official FT calculation of the historic p/e, based on the latest reported earnings, is 20.60 (20.66).

**Market Statistics**

Best leading index	25	London share price	25-27
FT-100 index	25	Managed fund service	23-25
FTSE-100 index	25	Money market	23-25
Foreign exchange	25	New and second issues	17
London recent issues	25	World stock price indices	25

**Companies in this issue**

American Express	15	Hutchinson	15
BT	14	Horizon Paper	15
Bovril	14	Isleworth Paper	15
British Gas	15	Isleworth Paper	15
Commonwealth Bank	15	JVC	15
Compass	15	Kawasaki Heavy	15
Dalhousie Paper	15	Marine	15
Diners Club	15	Mastercard	15
Discover	15	Mitsubishi Heavy	15
Eastman Kodak	15	Nippon Paper Inds.	15
Ferranti Int'l	15	Renault	15
Finsbury Trust	15	Starphor	15
GPA	15	Visa International	15
		Volvo	15

**Volvo investors wary of merger**

By Hugh Carnegie  
in Stockholm

SHAREHOLDER doubts in Sweden threaten the fate of the proposed landmark merger between Renault, the state-owned French automotive company, and the car and truck operations of Volvo. The Swedish group's institutional shareholders have yet to decide whether to support the deal, which is due to be determined this week.

The two companies, which have operated a strategic alliance

for the past three years, announced plans in September to combine to form Europe's second-largest vehicle maker in the face of increasing international competition and sharply falling car sales on their home continent.

Critics of the deal fear the structure of the merger, which will give Volvo a 35 per cent share of the new Renault-Volvo company, amounts to a French state takeover of the country's leading manufacturing outfit. There are doubts over whether it will be approved at a special

Volvo shareholders' meeting in Gothenburg on November 8.

Most of a group of about 10 institutional shareholders who together control about 40 per cent of the voting capital, but have yet to say how they will vote, are due to announce their decisions this week.

A key indicator of the final outcome is expected on Wednesday when the second largest single shareholder in Volvo, the state pension fund called the Fourth Fund, makes its decision. Directors of the fund, which holds 7.5 per cent

of the votes after Renault's 10 per cent, are understood to be divided on the merger and are seeking further information on the deal from Volvo.

Another state fund, the SPP Fund which holds 2.5 per cent of the votes, has already said it will oppose the deal chiefly because of its concerns over the lack of guarantees over the French government's promised privatisation of Renault. At the weekend, the insurance group SPP, which has 4.5 per cent, said it would oppose the merger without further clarifications on privatisation and the French state's intention to hold subsequently a "golden share" in the merged company.

The other "swing" shareholders include pension and investment funds of Scandinavia's Enskilda Banken and Svenska Handelsbanken, the country's leading banks, and the insurance groups Skandia and Trygghansa. Volvo is under pressure to delay the merger until after Renault has been sold off to the private sector.

Background, Page 15

**Richard Waters looks behind a management change at Visa International**

**Card wars set to enter a new battle phase**

Credit card adverts in the US are full of bemused consumers. In one, a man stands immersed in a mound of rival plastic cards (he's lucky, he's picked the best one out of the heap). In another, cards littering a lawn are sucked up by a vacuum (only one is left at the end). The message in them all is the same: in a market awash with credit and charge cards, how do consumers choose - and which of the many issuers are going to come out on top?

The ripples from this US credit card war have spread outward in recent months, in the process hastening a reshaping of the management which leads Visa International, the world's pre-eminent payment organisation.

The US may longer dominate the credit card world in the way it once did - the US share of the world's credit card transaction volume fell below a half at the beginning of the decade. But the US still accounted for around 47 per cent of the \$88bn charged to general purpose credit cards last year, and the US banks remain the most powerful force in the Visa organisation (Visa, like its rival Mastercard, is owned by the banks around the world which issue its cards).

Also, industry executives know that what happens in the US, where the credit card industry was born and matured first, will eventually be mirrored elsewhere.

At the end of August Mr Robert Heller, head of Visa in the US, resigned under a cloud as the payment organisation's US market share took a rare dip. From a

45.4 per cent share of credit card volume in 1991, Visa slipped to 44.9 per cent in the first six months of this year: hardly dramatic, but notable after the organisation's previous steady advance. Mastercard, on the other hand, lifted its share by 1.5 percentage points to 27.6 per cent.

The reason: "co-branded" cards launched by AT&T and General Motors, which give users discounts on those companies' products, were issued under the Mastercard umbrella. Co-branding has become the most effective weapon in the battle to encourage consumers to use cards.

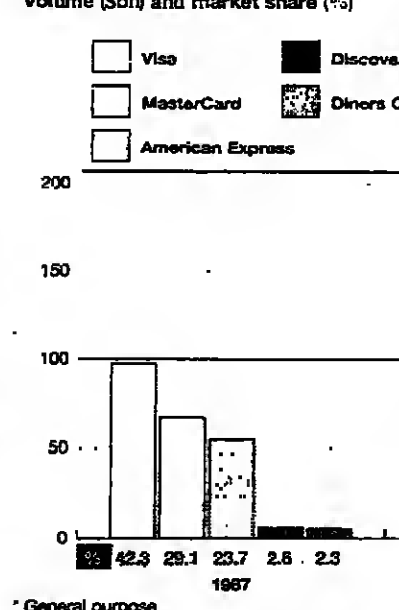
Last week Mr Charles Russell, the man who over the past 10 years has given Visa International, the parent organisation, its clear lead in the plastic card business, said he will retire next summer. He will yield the chief executive's job earlier, in January, to Mr Edmund Jensen, an outsider who joins Visa from west-coast based US Bancorp.

Mr Russell had said many times before that he planned to retire. In a 1988 interview, he said he would go after three years. In 1991, it was one more year. Finally, it seems, the banks that sit on Visa's board decided to take him off his word.

"It's time, after 10 years. Chuck has done a great job," says Mr Jim Bailey, head of Citibank's US retail banking operations. He adds, though, that it was Mr Russell who approached the board over the timing of his retirement, rather than the other way round.

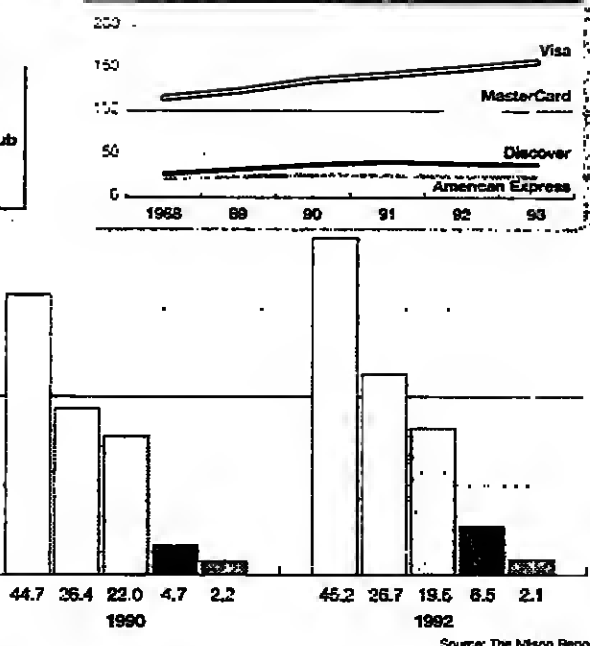
**Credit cards\* in the US**

Volume (\$bn) and market share (%)



\* General purpose

**Number in issue (millions)**



Source: The Nilson Report

Other banks in the US, while also paying tribute to Mr Russell's achievements, murmur that Visa has become too bureaucratic. The organisation wasn't being managed "to the bottom line," said one.

If it was time for Mr Russell to go, he at least had some influence over the new management team. Mr Carl Pascarella, who now heads Visa in the US, was Mr Russell's chosen successor to Mr Heller. And, according to reports from some industry executives, Mr Russell also chose Mr Jensen as his own successor.

Despite Visa's little wobble in the US, Mr Russell leaves it the world's most powerful plastic card brand. From a 40 per cent share of worldwide credit card business in 1980, Visa advanced to nearly 50 per cent last year, with 30m cards in issue. "What he did for Visa on a worldwide basis is prodigious," says Mr David Robertson, president of the

Nilson Report, a credit card industry newsletter.

It is the US, though, which still sets the pattern for the industry and there, the toughest battles in the credit card war have yet to be fought. Despite lower interest rates, cuts in fees and the introduction of incentives, credit cards remain one of the most profitable products for most banks. Rock-bottom US interest rates make it possible for banks to prosper even in such a competitive market - helping to bring more new issuers into the business.

RepublicBank of New York, for instance, entered the market only at the start of this year. Its 13.9 per cent interest rate is at the bottom end of the range for standard bank cards, yet is more than 10 percentage points over current money market interest rates. Interest margins like this have

helped to support the many incentives which card issuers now offer. RepublicBank gives holders a cash rebate of up to \$250 a year on their credit card purchases, a trend started in the late 1980s by the Discover card, then owned by Sears but now part of the independent Dean Witter Discover. That card's cash-back incentive has attracted 38m cardholders since its launch in 1987, giving it more cards even than American Express (though its share of transaction volume is far smaller).

When US interest rates eventually turn up again, the rush to offer incentives is likely to slow. "Margins are still pretty good," says Mr Bailey of Citibank. "[But] in this immensely competitive market, we haven't yet had to contend with rising interest rates."

When that happens, the American consumer could really see war break out.

**British Gas made plans to break up**

By Bernard Gray in London

BRITISH Gas prepared plans to break the company up in the months before its reference to the Monopolies and Mergers Commission last year.

With financial pressures mounting as a result of tightening regulation, senior executives at the company commissioned studies into a range of options including the sale of some businesses and the complete break-up of the company.

The plans were dropped after several directors opposed them, including Lord Walker, a non-executive director, who as Mr Peter Walker was the Secretary of State for Energy responsible for privatising British Gas in 1986. As a result, formal plans were never put to the board, although they circulated among executives at the top of the company.

That the radical plans were drawn up is a sign of how far the company believed it might have to go to respond to the pressure upon it from consumers and Ofgas, the industry watchdog. They will strengthen the hand of British Gas critics who argue it should be broken up to reduce its monopoly power in the industry.

Disclosure of the plans comes at the end of the consultation period for the MMC inquiry into the company. The Department of Trade and Industry is expected to make a decision on the commission's proposals before the end of the year.

In the course of the MMC investigation British Gas repeatedly insisted that splitting the company into separate gas transportation and marketing companies was unnecessary. It argued that an integrated company would be in the best position to meet customers' needs.

British Gas drew up the plans at a time when its financial position had become increasingly stretched after Ofgas had tightened its price cap from the retail prices index minus 2 per cent to RPI-X. The Office of Fair Trading had insisted that the company give up half of its share of the contract gas market and the DTI lowered the threshold at which competitors could bid for customers.

By early 1992 it was clear these measures would have a severe impact on Gas's profits and so the company started to consider radical measures to ease its burdens, including breaking the company up. Lex, Page 12

Surprises have lurked behind every corner of eastern Europe's tortuous transition from a planned to a market economy - many of them unpleasant.

Often, the first to encounter unexpected difficulties has been Hungary, which has pioneered reform since the late 1980s. So the recent survey of Hungary published by the Organisation for Economic Co-operation and Development, and especially its focus on the critical role played by credit markets, contains a broader message for the post-communist states.

The OECD found that Hungary's early, albeit hesitant start, did little to ease the pain of reform. "Despite Hungary's status as the most Western-market oriented of the centrally planned economies, the post-1989 economic transition still came as an abrupt and wrenching shock."

Hope for recovery has been vested in the privatisation process, but dismantling the state economy is taking longer than expected. In Hungary's case the OECD cites estimates that 18 per cent of state enterprise assets were under private control by the end of 1992, well short of the government's target of privatising half the state sector by 1994.

Privatisation of state assets is not the whole story. Start-ups and greenfield investments have boosted the private sector to about 30 per cent of GDP, but even that has been far from enough to offset the contraction of state-owned industry and avert recession.

Up to now Hungary has relied the most on foreign investment to flesh out the private sector, attracting more than \$5.5bn since 1983, over half the total for central and eastern Europe. But foreign investment alone cannot transform the economy.

Most Hungarian consumer goods companies attractive to multinationals have been sold and foreign economic penetra-

**Hungary builds capitalism without capital**

tion has come close to its political limits. Increasingly foreign investors are looking to Poland which has four times the population of Hungary or the Czech Republic - and an economy stimulated by the dynamism of home-grown Polish entrepreneurs.

The growing stress on home-grown capitalism means closer attention must be paid to solving the dilemmas of how to build capitalism without capital.

One recourse is to distribute ownership through voucher schemes like the Czech Repub-

**Economics Notebook**  
By Nicholas Denton

lic or Poland's investment fund-based mass privatisation programme. Hungary is belatedly implementing a more modest "small investor share buying programme". But its conversion to the virtues of mass privatisation has been halfhearted. Distribution cannot in itself provide enterprises with the capital injection most desperately needed.

An obvious solution is to mobilise household savings which were negligible under communism but have since surged. In Hungary the savings ratio rose to 15.3 per cent in 1991, dropping slightly to 13.2 per cent in 1992. But higher savings alone cannot stimulate investment in the absence of functioning banks and capital markets.

This was the conclusion of a recent World Bank internal

aide-memoire which stated that Hungary's financial sector was "unable to finance the transition to a market economy". The OECD's survey was more circumspect, but the urgent need for financial sector reform runs like a thread through the report.

The financial sector effectively means the banks. The OECD, for example, dismissed the Budapest stock market as of "minor importance", although this year's boom in the Polish stock market indicates that equity markets do have a future.

To finance provisions against non-performing loans and rebuild capital, banks increased spreads. But high lending rates make default more likely as only the most desperate enterprises apply for loans. This process led to a "credit crunch" in Hungary last year.

Throughout the region government hunger for higher revenue is compounding the difficulties of the banking system. Until 1991, taxation of banks' paper profits was an important source of revenue, equivalent to about 2 per cent of GDP in Hungary's case. Despite the current plight of financial institutions, governments continue to drain their liquidity.

Recapitalisation of the banks would reduce spreads and help stimulate lending to the corporate sector. But here again, the OECD says, budgetary economy has conflicted with bank consolidation. Hungary's effort last year to shore up balance sheets was conducted on the cheap.

Budapest, supported by the promise of a World Bank credit of \$200m-\$300m, is now planning another more comprehensive attempt. But the government has warned of a rise in the budget deficit to Ft350bn (\$6.65bn) next year, around 9 per cent of GDP. This would exceed targets set by the International Monetary Fund, so the temptation to cut corners on bank consolidation remains.

Last Hungary despair, however the OECD notes: "The visible size of the problems does not mean that the difficulties in Hungary are bigger than elsewhere in central and eastern Europe; rather it may be a sign that things are coming into the open earlier than elsewhere. This could mean that solutions are found more quickly, as issues are recognised in public discussion and measures are being debated and implemented."

That may console Hungary. It is less heartening for its east European neighbours.

**Stanhope to seek new equity in refinancing**

By Bethan Hutton in London

THE board of Stanhope, the heavily-indebted UK commercial property developer, said yesterday it was considering raising new equity in a refinancing.

The company is looking to raise £150m-£160m (\$240m), and to restructure its banking arrangements, but said plans were still in very early stages. No proposals have yet been put to any of the 16 or so banks involved. Stanhope last refinanced its bank debt in January this year. At Friday's closing share price of 36p, it had a market capitalisation of just under £60m.

The likelihood of attracting investors was helped by Broadgate Properties, 50 per cent owned by Stanhope, last week selling the lease of One Exchange Square, home of the European Bank for Reconstruction and Development, for £170m. Stanhope also reports a "significant increase" in letting enquiries at both Broadgate and Ludgate, another of its developments.

Any restructuring is likely to involve Stanhope taking control of the other half of Broadgate Properties, which was owned by Rosehangb, now in receivership.

Stanhope said the refinancing would take three or four months. It incurred pre-tax losses of £21.5m in the year to June 30, 1992. Results for the year to June 30, 1993 are due in mid-November, but the company said improvements in the market "have come too late to be reflected in these figures".

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March 1993

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**HTR Japanese Smaller Companies Trust PLC**  
£100 million  
de Zoete & Bevan acted as stockbroker for the placing and offer for subscription of the HTR Japanese Smaller Companies Trust PLC raising £100 million.

October 1993

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## COMPANIES AND FINANCE

## Tough task for a master of low profile

Roland Rudd on the new chairman of GPA who is not averse to taking risks

MR DENNIS Stevenson, the new chairman of GPA, is not about to move into the group's sumptuous London offices in Pall Mall. As a non-executive he does not believe he should have an office at all.

Nor will he be jetting across the Atlantic or be photographed at charity galas. His stark and somewhat puritanical view of management is in marked contrast to his predecessor Mr Tony Ryan, and his glittering array of non-executive directors, who included Lord Lawson and Sir John Harvey-Jones.

Whereas many of the old management were rarely out of the public gaze, albeit not always of their own choosing, Mr Stevenson is the master of the low profile.

"Our objective is to have a 'PC Flod style of management' getting on with the business out of the limelight," he said.

Friends of Mr Stevenson have been asking him why he decided to take on the chairmanship of GPA, wondering whether it could become a recovery stock. As far as Mr Stevenson is concerned it is far too early to start talking about the potential long-term value of its as yet unlisted shares.

He was attracted to GPA because he sees it is a novel piece of financial reconstruc-

tion of "vital important" to stabilise the company. Furthermore, a restructured GPA could also help protect the airline industry and would be able to pay back some of the loans made by the 138 banks which financed the company through its massive expansion at the turn of the decade.

If that sounds a daunting task for a company with debts of \$5.8bn (£3.84bn) Mr Stevenson replies that people have GPA out of proportion. "The only big thing is the noughts," he says.

All he will be doing is managing a financial asset - it is sub-contracting the leasing to the GE Capital subsidiary, GE Capital Aviation Services under the terms of GPA's rescue deal with GE Electric of the US.

However, Mr Stevenson is the first to admit that up until a few months ago he knew nothing about aircraft leasing, prompting some to wonder why GE asked him to chair the new company in the first place.

The initial approach was made by Mr Ryan, who did not know Mr Stevenson while he was advising the Bank of Ireland, where Mr Ryan used to be a non-executive. Six months ago Mr Ryan made an informal approach to Mr Stevenson to parachute in as a trouble shooter in



Dennis Stevenson: too early to talk about share price value

the role of chief executive. He declined. He had no problem in juggling several part-time jobs at once, but he has always been very selective about what boards he chose to join.

Apart from chairing his own consultancy group SRU, and the Tate Gallery, Mr Stevenson currently has non-executive directorships with Pearson, which owns the Financial Times, and J Rothschild and

Assurance and Manpower (formerly Blue Arrow). He also sits on the Takeover Panel.

According to GE it was this "solid, impressive curriculum vitae" that made Mr Stevenson so appealing as a prospective GPA chairman. Furthermore, Mr Stevenson is not averse to taking risks. He took on Mr Tony Ryan at Blue Arrow in a highly personalised battle and won control of the board and chaired the Intermediate Technology Development Group, a Third World charity which by eschewing big development projects was never assured of success.

So last month, at 6am in the morning, Mr Gary Warch, chief executive of GE Capital, met Mr Stevenson and Mr Ryan in the United Airlines VIP lounge at Heathrow Airport. It was at that meeting that Mr Stevenson was finally persuaded to take on the chairmanship of GPA and to try and bring the stability seen as essential to the long-term growth of the airline industry.

Mr Stevenson will be paid for one day's work every week, but will have the extra £100,000 a year as a success fee. While not disclosing his salary, he says he will be charging considerably less than he charges at SRU, where he is reputed to be one of the highest paid consultants. He does not believe the

downside is too onerous. If he makes a big mistake, such as diversifying into shipping leasing, for example, and thereby compounding GPA's problems Mr Stevenson feels he would deserve a loss of reputation.

But since he was not responsible for the past mistakes, he is not fearful for his reputation. If GPA is eventually unable to meet its demanding debt repayments.

Mr Stevenson would not have attempted the challenge without Mr Patrick Blaney, the 39-year-old chief executive, who he believes was untainted by GPA's past mistakes. He also made it a condition of him accepting the chairmanship that Mr Michael Davies, a non-executive director, from British Airways, also joined GPA's board. Mr Davies is an old

Stevenson ally at Blue Arrow where they combined to oust Mr Berry.

The company still faces a tough time if it is to cut borrowings to a manageable level. Although it is deferring \$750m of debt, this will largely fall due in September 1996. In the run-up to March 1997 GPA must repay or refinance debt of \$2.36bn.

It will be no small achievement, irrespective of any upturn in the airline market, if Mr Stevenson can steer GPA through the next four years.

## Rebel Ferranti shareholders to meet over 1p takeover bid

By Peter John

REBEL shareholders of Ferranti International, the defence electronics group, are to meet to discuss ways of resisting a bid which offers them only 1p a share.

Some shareholders have reacted angrily to the token offer by GEC which promises them just 210m while at least £100m will go to the banks.

They have commissioned Katz Associates, an investment consultancy, to see if there are alternatives to the GEC bid.

It is expected that the complex share structure of Ferranti and the need for any bid

to be accepted by 90 per cent of the voting shareholders will be severe obstacles to the smooth take-up of GEC's offer.

Mr John Katz, who heads the consultancy and who recently fought a bid for the Greycoat property group on behalf of unhappy shareholders there, said he had received a number of phone calls since his name was first linked to the Ferranti situation last week.

"The deal proposed looks like a quick safety net for the banks," he said.

"I have written to Eugene Anderson [chairman of Ferranti who was taken on three and a half years ago] to save the company and advised him that any sale of the company

for a token price will be opposed, unless there is some platform for shareholders to remain in to some extent and recover something with time."

Mr Katz said there was unlikely to be unequivocal opposition to a rescue package of some sort as some 4,000 jobs were at risk if a saviour could not be found.

Before the news of GEC's offer broke last week Ferranti's shares were valued at 94p.

By the close of trading on Friday they stood at 14p but Ferranti's board has defended the bid on the grounds that the company has no alternative. A meeting of shareholders is expected to be held within the next two weeks.

## Building societies 'more soundly' based

By Alison Smith

BUILDING societies' pre-tax profits were significantly higher in the first half of this year than for the comparable period of 1992, according to a survey of societies' interim results.

While the profits were almost identical to those for the second half of 1992, the survey argues that they

are now more soundly based.

That is because they do not rely on the opportunity that sterling's departure from the European exchange rate mechanism gave societies for improving their profits by widening their interest margins through reducing mortgage rates more slowly than interest rates.

Mr Peter Welch of Multistrategies research, the report's

author, argues that the interim results should include a summary balance sheet in order to make it easier to calculate a society's overall profitability.

Six of the 13 societies which publish interim results do so now, but it is not required by the Stock Exchange.

The survey is available from Multistrategies, 2 Ridgmont Street, London WC1E 7AA, price £50.

## NEWS DIGEST

## Compass in Burger King deal

COMPASS, the catering group, has signed an agreement giving it the right to operate Burger King restaurants in railway stations and workplace outlets.

The deal will result in the replacement of the Casey Jones brand. Burger King is a subsidiary of Grand Metropolitan.

Finsbury Underwriting Investment Trust, one of the funds set up to invest in the Lloyd's insurance market, has issued its full prospectus.

Up to 30m shares are on offer at 100p each.

The issue will raise £28.2m after expenses. Net assets per share after the issue are estimated at 94p.

Rea Brothers and UBS are co-sponsors to the issue, which is being undertaken as a placing and intermediaries offer.

The insurance adviser is Wynn Underwriting Agencies, the investment manager is Finsbury Asset Management.

Markheath accounts further delayed

Markheath, the property group 51 per cent-owned by Adelaide Steamship of Australia and its associates, has been given permission by the DTI to delay publication of its annual accounts for the year to end March until November 30.

## Syntegra launch marks start of BT market push

By Alan Cane

BRITISH Telecommunications is refashioning its image as a computer systems designer and constructor in a move to capture a larger share of a market currently worth £25bn annually.

It will today announce that its customer systems division will be renamed Syntegra. The move marks the first part of the company to be rebranded to broaden its appeal to a world market.

Syntegra will remain a wholly owned profit centre within BT.

It will be controlled by Mr Bill Halbert who has been managing director of BT customer systems since 1990.

Last year the division turned over about £200m, one of only three British companies among the top ten computing services groups in the UK.

It is said to be "significantly" profitable, although its figures are not broken out separately in BT's results.

It does 80 per cent of its business in the UK; one reason for the rebranding is to improve its international appeal.

Mr Alfred Mockett, managing director of BT's business communications division, said Syntegra would establish strategic relationships with customers around the world providing both new revenues and stimulating use of BT's international network services.

## Beverley dips £1m into red

BEVERLEY Group, the engineer, lapsed into the red in the six months to June 30 with pre-tax losses of £229,000, against profits of £58,000.

The loss reflected a fall in turnover to £5.46m, down from £9.68m.

Losses per share of 2.67p compared with earnings of 0.16p.

In an attempt to cut back on its debt, the Bristol-based group is selling Gail Thomson, which makes marine safety breakaway couplings, to Sealand Industries, a subsidiary of VSEL, for £3.5m.

The company said cash from the sale would be boosted by a £2.5 dividend from Gail Thomson's accumulated reserves.

This advertisement is issued in compliance with the requirements of the International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("the London Stock Exchange"). It does not constitute an invitation to the public to subscribe for, or purchase, any securities. Application has been made to The London Stock Exchange for the admission to the Official List of the entire share capital of Geovor plc (to be renamed Coal Investments PLC) ("the Company") as reorganised by the Capital Reorganisation and enlarged by the Acquisitions, the Capitalisation, the Placing and the Rights Issue. It is expected that dealings in the shares of the Company, as so reorganised and enlarged (save in respect of the Rights Issue) will commence on 4th November, 1993. Dealings in the Rights Shares, all paid, are expected to commence on the same date.

Geovor plc  
(Incorporated in England and Wales, Registered No. 114326)  
to be renamed

## COAL INVESTMENTS PLC

## INTRODUCTION TO THE OFFICIAL LIST

Following the acquisition of UK Consolidated Mining Limited and Coal Investments Limited

and

Placing of 8,761,523 New Ordinary Shares at 10p per share  
Rights Issue of 8,794,777 New Ordinary Shares at 10p per share

and

Capital Reorganisation  
Arrangements with Creditors and Loan Noteholders  
Change of name  
New Share Option Schemes

Share Capital

Following the Acquisitions, the Placing and the Rights Issue, the Reductions of Capital, the Capitalisation and the Capital Reorganisation -

Authorised  
£42,000,000 in New Ordinary Shares of 1p each

The enlarged Group will principally be engaged in the mining of coal and related activities.

Listing Particulars relating to the Company have been approved by The London Stock Exchange as required by the listing rules made under Section 142 of the Financial Services Act 1986 and are available during normal business hours on any weekday (Saturdays and public holidays excepted) from the Company's Announcements Office, the London Stock Exchange, Capital Court Entrance, 60 Bartholomew Lane, London EC2M 1HP, by collection only during normal business hours up to and including 3rd November, 1993 and during normal business hours up to and including 15th November, 1993 from:

Guinness, Mahon & Co Limited  
12 St Marys at Hill  
LONDON EC2P 3AJ

to members of The Securities and Futures Authority Limited

to division of Brewin Dolphin  
Bell Lane Limited, a member of The Securities and Futures Authority and The London Stock Exchange

and the registered office of the Company  
30 Hounds Gate, Nottingham, NG1 7DH

1st November, 1993

## Notice of Interest Rates

To the Holders of

The United Mexican States  
Collateralized Floating Rate Bonds Due 2019

NOTICE IS HEREBY GIVEN that the interest rates covering the interest period from November 1, 1993 to May 2, 1994 are detailed below:

Series Designation	Rate	Interest Amount	Interest Payment Date
USD Discount Series B	1.125 Per. P.A.	USD 21.80 Per USD 5,000	May 2, 1994
YEN Discount Series	1.1875 Per. P.A.	YEN 1,611.00 Per YEN 100,000	May 2, 1994

November 1, 1993

CITIBANK, N.A., Agent

## NOTIFICATION OF CHANGE TO CORPORATE CARD RULES OF MEMBERSHIP AND USE

In accordance with current Rules of Membership and Use, this is written notification of an amendment to Rule 3(d) Statements.

Effective 1st November 1993, any Service Charge levied will be reduced to 3% and charged on any amount that remains unpaid 45 days after the Statement on which it first appears.

A further Service Charge of 3% will be charged every 30 days thereafter until full settlement has been made.

This Service Charge applies only to Diners Club Corporate Cards including British Airways Diners Club Corporate Cards and Hogg Robinson Diners Club Corporate Cards.

This does not apply to Diners Club personal cards nor to the few companies on non-standard terms. Those companies have been contacted separately.

Effective 1st November 1993  
Diners Club International, Diners Club House, Kingmead, Farnborough, Hampshire GU14 7SR

NOTICE OF REDEMPTION  
Sidek International Finance N.V.  
9.5% Floating Rate Notes Due 1998

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Fiscal Agency Agreement dated as of December 19, 1991 between Sidek International Finance N.V., and Citibank, N.A., as Fiscal Agent, all outstanding notes of the above issue (the "Notes") will be redeemed on December 21, 1993, (the "Redemption Date") at the price of 98.5741% of their principal amount, together with interest accrued to the Redemption Date. Payment will be made upon presentation and surrender of the Notes at the below listed paying agency, together with all appurtenant coupons maturing subsequent to the Redemption Date. The amount of any missing, unstamped coupons will be deducted from the sum otherwise due for payment. Interest on the Notes shall cease to accrue on and after the Redemption Date. Payments will be made at the following paying agency listed below:

Citibank, N.A.  
Citibank House  
336 Strand  
London WC2R 1HB, England

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## NOTICE TO HOLDERS OF

THERMEDICS INC.  
6 1/2% CONVERTIBLE SUBORDINATED DEBENTURES DUE 1998

NOTICE IS HEREBY GIVEN by Thermedics Inc. ("the Corporation"), pursuant to Section 7(a)(ii) of the Fiscal Agency Agreement dated as of July 15, 1990 among the Corporation, Thermo Electron Corporation and Chemical Bank, as Fiscal Agent, that, effective as of November 1, 1993, the conversion price of the Corporation's 6 1/2% Convertible Subordinated Debentures due 1998 has been adjusted from \$16.66 to \$10.512. This adjustment reflects a three-for-two split of the Corporation's Common Stock, \$10 par value per share, paid in the form of a 50% stock dividend on November 1, 1993 to shareholders of record as of October 22, 1993.

CHEMICAL  
Fiscal Agent

This notice is issued in compliance with the requirements of the International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("the London Stock Exchange"). Application has been made for all of the issued warrants of Foreign & Colonial Emerging Markets Investment Trust PLC to be admitted to the Official List.

Foreign & Colonial  
EMERGING MARKETS INVESTMENT TRUST PLC  
(Incorporated in Scotland with number 105024)

## Bonus issue

20,002,705 Warrants to subscribe for a total of  
20,002,705 ordinary shares  
at a price of 102 pence per share  
on 31st March in any of the years 1994 to 2003 inclusive

Copies of the Listing Particulars relating to the issue of Warrants can be obtained, for collection only, up to and including 3rd November, 1993 from the Company's Announcements Office, the London Stock Exchange, London Stock Exchange Tower, Capital Court Entrance, 60 Bartholomew Lane, London EC2. In addition, copies of this document can also be obtained during normal business hours for 14 days from the date hereof, from the company's registered office, Orchard Base House, 30 Queensferry Road, Edinburgh EH4 2HG and from any of the following:

Foreign & Colonial Emerging Markets Investment Trust PLC  
Exchange House  
Primrose Street  
London EC2A 2NY

Credit Lyonnais Laing  
Broadwalk House  
5 Appold Street  
London EC2 2DA

Morgan Grenfell & Co. Limited  
23 Great Winchester Street  
London EC2P 2AX

1st November, 1993

## CONFERENCES



## JAMAICA

## INVESTMENT PROMOTION MEETING

"Promoting International Business Co-operation"  
Kingston, Jamaica

The United Nations Industrial Development Organization (UNIDO); the Jamaica Promotion Corporation (JAMPRO) and the United Nations Development Programme are organising an Investment Promotion Meeting in Kingston, 18 - 17 November 1993. At this event discussions between Jamaican and foreign entrepreneurs on specific investment projects through various forms of international business co-operation will be held. These excellent investment opportunities range from the agro industrial sector, extraction and downstream processing of minerals, light industries, information-based industries, to the attractive tourism sector/industry.

For prior registration and information on the available business profiles, please contact:

The Director  
Industrial Investment Division, UNIDO  
Attention: Latin America and Caribbean Unit  
P.O. Box 300, A-1400 Vienna, Austria, Europe  
Tel: +43-1-31131/4884, 4813 Fax: +43-1-3306368



## Stronger yen hampers shipbuilders

By Robert Thomson  
in Tokyo

**JAPAN'S** shipbuilders reported an increase in profits over the last three years that ran against the tide of most companies' earnings, but their results in the first half suggest that the yen's appreciation has left them facing another period of restructuring.

Mitsubishi Heavy Industries and the other leading heavy industrial companies are reporting sales increases from ship and heavy equipment orders received two or more years ago, but they are struggling against South Korean and other international competitors.

MHI reported a 1.7 per cent fall in pre-tax profit to ¥10.1bn (\$75.5m) on a 5 per cent fall in sales of ¥1,056.8bn, though of more concern to the company was an 8.7 per cent fall in orders received during the period from April to September, compared to a year earlier.

Japanese shipbuilders attempted to reduce their dependence on the ship market during the late 1980s, which had been an unreliable source of earnings, but the recovery in ship demand in the late

JAPAN'S HEAVY INDUSTRIAL COMPANIES Interim to Sept 1993 (¥bn)				
	Sales	% change	Profit	% change
Mitsubishi Heavy	1,056	-5.0	81.0	-1.7
Kawasaki Heavy	969	2.5	8.1	24.8
Ishikawajima-Harima	453	22.0	13.4	19.0
Hitachi Zosen	138	11.0	7.2	20.9
Suntomo Heavy	110	-13.9	-1.0	

Source: Company Reports

1980s and the fall in domestic industrial equipment orders has again increased that reliance.

In MHI's case, ship and steel structure sales rose from 10.9 per cent to 17.2 per cent of total sales over the past year. But orders for ships during the half just ended fell 20.9 per cent on a year earlier, and the company's recent experience in bidding for an order of seven LNG carriers for Qatar highlights the extra burden of a strong yen.

MHI, Mitsui Engineering and Shipbuilding, and Kawasaki Heavy Industries won a joint order for seven vessels from Qatar Liquefied Gas for the vessels, which will be used to supply Chuhui Electric Power, a electricity utility based in central Japan.

But the bid price, reportedly ¥26bn per vessel, is below the current break-even cost of ¥30bn for that type of carrier, according to Japanese industry

specialists, and the companies are facing a loss on the project if the yen remains in the range of ¥100-¥110 to the dollar.

Mr Matthew Ruddick, transport machinery specialist at James Capel Pacific, said the heavy industrial companies have a relatively high export to sales ratio, which makes them more vulnerable than many other industries to a strengthening of the yen.

He said South Korean competitors, able to build a very large crude carrier for ¥8bn against the ¥10bn in Japan, are winning orders at the Japanese builders' expense, but the filling of the South Korean order books will create demand for new vessels.

KHI reported a 24.8 per cent rise in pre-tax profits to ¥6.1bn, explaining that the fall in interest rates over the past year had reduced its repayment burden and improved its balance on financial items, compensating for an 8 per cent

slide in operating profit during the period.

For the full year, KHI expects a 20.5 per cent fall in pre-tax profit to ¥18bn on a 0.5 per cent increase in sales to ¥960bn. Sales rose 2.5 per cent in the first half, due to ship and industrial machinery competition, but orders during the period were ¥31.1bn, down from ¥40.5bn a year earlier.

Kawasaki exports motorcycles, and the yen has slowed growth in this market, which has been strong in East Asia during the last two years. The company is planning to increase its overseas procurement of parts and materials by 30 per cent in the next year.

The rush of Japanese investment in East Asia is likely to mean weak orders for plant and machinery in the domestic market. It could produce a rise in export orders, though the companies' competitiveness will be hurt by the strong yen.

They do not expect much help from defence orders, expected to remain sluggish. Sumitomo Heavy Industries, which had a pre-tax loss of ¥1.1bn, compared with a profit of ¥741m in the previous

period, said orders in its ship, steel structures and defence division were down 33 per cent, though orders for environment-related and other general equipment rose 7.8 per cent.

## JVC passes dividend as losses continue

By Michio Nakamoto  
in Tokyo

THE slowdown in the domestic market and the strength of the yen this year dealt a blow to JVC, the maker of video cassette recorders and other audio-visual products.

The Japanese company announced a pre-tax loss of ¥9.8bn (\$93.3m) on sales 1 per cent lower at ¥251.4bn and passed its interim dividend.

JVC is dependent on its audio-visual products, including blank cassette and video tapes, for 79 per cent of its sales. Nearly half of the sales come from overseas markets where the yen's strength reduces price competitiveness.

This dependence has been costly for JVC, which rose to prominence as the company that first commercialised the video cassette format used by most consumers.

Video cassette sales in Japan have been on the decline, with shipments down by 9 per cent this year according to industry estimates. Meanwhile, price competition has become fierce.

The only bright spot has been in the US market where recent figures indicate there has been a pick-up in demand for video products. JVC's entertainment division increased sales by 27 per cent.

In order to cope with the difficult trading climate, JVC has set up a special "defensive" committee to oversee cost-cutting measures as well as an "offensive" committee to strengthen product line-up and sales efforts.

JVC aims to reduce costs by 20 per cent and restructure its 400 employees from various departments to sales.

JVC expects losses to accumulate in the second half as economic conditions in Japan remain sluggish.

## JVC: Interim 1993 (¥bn)

	1993	1992
Sales	251.4	-1%
Pre-tax	-9.8	-13.5
Net loss	-10.6	-15.9
Year forecast:		
Sales	505	
Pre-tax loss	25	
Net loss	26.5	

## Hostile chorus to Volvo deal reaches crescendo

Hugh Carnegie looks at doubts over the Renault link

WHEN Volvo and Renault announced in Paris on September 6 their plan to merge the Swedish manufacturer's car and truck operations with the state-owned French automaker, the reaction in Sweden was largely one of sober acceptance.

The right-centre government of Prime Minister Mr Carl Bildt, the opposition Social Democratic party, the trade unions and most business leaders gave the deal the thumbs up, saying it was the best way to ensure the future of vehicle making in Sweden in the face of tumbling demand in Europe and heavy overcapacity in the industry.

A Stockholm investment banker summed up the feeling with the comment "regrettable, but inevitable". By the end of last week, however, the climate had changed so much that the same banker believed real doubt had arisen over whether the merger would be approved by Volvo's shareholders.

"Perhaps it is not so inevitable after all," he remarked. The opposition did not find its voice until early October. Then a rejection of the deal by Aktiespararna, the Swedish small shareholders' association, and a vehement denunciation by the head of Scania, Volvo's rival truck maker, combined to unleash a hostile chorus that by the weekend had reached a crescendo.

Backed by strong support from the media, the opposition camp now includes former Volvo executives, some trade unionists, an array of academics and - to date - two prominent institutional shareholders.

The new atmosphere was encapsulated at a packed seminar on Friday at which Mr Lennart Jeansson, head of Volvo cars and designated chief financial officer of the new Renault-Volvo, and Mr Jan Engström, Volvo's present chief of finance, were forced on the defensive by a panel of professors and a journalist, chaired by a sceptical Mr Assar Lindbeck, Sweden's best known economist.

The opposition inevitably includes a strong nationalist element which objects to Volvo, the symbol of Swedish industrial pride, being "sold out" to foreigners. But what has Volvo most worried are the substantive questions being raised by shareholders about the details of the merger agreement.

"The industrial logic of the merger for Volvo still seems more positive than negative," said a shareholder fund manager.

"But we have lots of questions about the valuations in the deal, the issue of the privatisation of Renault and the French government's intention

to hold a golden share after privatisation."

Volvo's case is suffering from two important weaknesses. Volvo and Renault have refused to break down the values placed on their respective assets, or give detailed performance forecasts, leaving many Swedes suspicious that Volvo, once again

profitable, will in effect be milked by Renault which is suffering falling profits. Although Volvo will have a 35 per cent share in the merged company, its direct stake will be less than 18 per cent, and this is seen as a structural flaw.

The second weakness is the lack of east-iron guarantee that Renault will be privatised as promised. There is a strong view in Sweden that continued recession, especially in the car industry, threatens the privatisation timetable and could strengthen protectionist forces, to the disadvantage of Volvo's Swedish operations in decisions on rationalisation.

From a Volvo shareholder's viewpoint there is another factor. After the merger, the Volvo parent will become, in effect, a diversified investment company with interests mainly

in vehicle making, food and drinks and pharmaceuticals. As Professor Ingemar Stahl of Lund University remarked at Friday's seminar, an investor could almost certainly get better returns by investing separately in top car, food and pharmaceutical companies.

Apart from the substantive issues, a further difficulty for Volvo lies in the structure of its ownership.

Most of Sweden's other best known companies fall within the influence of the industrial empire of the Wallenberg family.

Heavily-weighted preference shares ensure that strategic decisions of the type taken by the Volvo board are made by one or two shareholders.

Volvo, by contrast, is a very democratic group in which no single shareholder has more than 10 per cent of the voting capital and more than 40 per cent is held by about 15 institutions. After Renault, which has 10 per cent of the votes, the next largest single shareholder is the so-called Fourth Fund state pension fund with 7.5 per cent.

At the same time, many influential figures sit on the board of more than one of these institutions, reflecting the small-world nature of Sweden's business community. This can work to Volvo's advantage through, for example, the seat on the board of Trygg-Hansa SPP, the insurance group held by Mr Sören Gyll, the Volvo chief executive. In another typical feature of Swedish business life, the trade unions hold many positions in the institutions and have, to date, mostly supported the merger.

However, double-jobbing at board level is working against Volvo where opponents exert their influence more than once. Nor are personal animosities absent.

Men such as Mr Lars-Erik Forsgardh, the head of Aktiespararna, have long battled against the flamboyant, and sometimes erratic, leadership of Volvo by Mr Pehr Gyllenhammar.

"A lot of scores are being settled," said the Stockholm investment banker.

## Australia raises AS1.7bn from bank sell-off

By Nikki Tait in Sydney

THE Australian government will raise AS1.69bn (\$841.1bn) from the sale of a 19.9 per cent stake in Commonwealth Bank - the second tranche of equity in the bank to be floated off by the authorities.

Mr Ralph Willis, the finance minister, announced at the weekend that the issue would be priced at AS9.60 a share for institutional buyers. Private investors are entitled to a 25 cents a share discount - meaning that they will pay AS9.35.

The sale involves a total of 178.5m shares. About 65 per cent of these have been reserved for private investors, who submitted over 191,000 applications, representing almost AS1.1bn worth of shares.

## Paper groups hit by low prices

By Emiko Terazono  
in Tokyo

INTERIM earnings at Japan's leading paper and pulp companies exemplified problems facing the industry, as sluggish demand and high competition depressed profit margins.

Nippon Paper Industries, Daishowa Paper and Honshu Paper were hit by lower prices. Honshu managed to lift its profit figure - due to a decline in interest payment as interest rates have fallen.

The depressed business environment has accelerated restructuring of the industry. Last April, Jujo Paper and San-yo-Kokusaku Pulp merged to create Nippon Paper Industries, and Kawasaki Paper and Oji Paper merged to form New Oji Paper last October.

Nippon Paper, the industry leader, said paper sales fell 8

JAPAN'S PAPER AND PULP COMPANIES				
	Sales (¥bn)	Change	Pre-tax profit	Change
Nippon	318.52	-21.0	4.03	-21.0
Daishowa	144.90	-8.7	-11.41	
Honshu	185.8	-8.7	3.5	33.6

per cent to ¥232.7bn (\$2.3bn) while sales for pulp and chemicals declined 19 per cent and building materials decreased 17 per cent. After-tax profits jumped 53 per cent to ¥5.4bn thanks to profits from stock sales linked to the stock market listing of a subsidiary.

Daishowa posted ¥10.8bn in unrealised losses on its securities portfolio at the end of September. It sees a pre-tax loss of ¥21.8bn on a 6.7 per cent fall in sales to ¥298.5bn. Honshu sees sales falling 4.4 per cent to ¥373.6bn but expects support from lower interest rates, and sees pre-tax profits rising 8.1 per cent to ¥6.6bn.

For the year to March, lower paper prices will continue to

squeeze earnings. Nippon Paper expects lower costs to lift operating profits, but a fall in gains from securities holdings will depress non-consolidated pre-tax profits by 25 per cent to AS5bn on a 4 per cent fall in sales of ¥642bn.

Daishowa posted ¥10.8bn in unrealised losses on its securities portfolio at the end of September. It sees a pre-tax loss of ¥21.8bn on a 6.7 per cent fall in sales to ¥298.5bn. Honshu sees sales falling 4.4 per cent to ¥373.6bn but expects support from lower interest rates, and sees pre-tax profits rising 8.1 per cent to ¥6.6bn.

## GUYOMARCH

## 1992 and 1993 FIRST-HALF EARNINGS

FFm	June 1992	June 1993
Sales	3,427.5	3,346.8
Operating profit	144.1	157.7
Earnings before exceptional	67.4	49.8
Cash flow	158.3	153.0

The 6.7% decline in animal feed sales stems from falls in raw material prices and sales volumes due to application of the Common Agricultural Policy.

The group's three other divisions - Royal Canin (pet food), Pêre Dodu (cooked dishes) and Diana (natural ingredients) - showed satisfactory growth of around 5%.

Over the last three years and notably in 1992, the Guyomarch group embarked on an ambitious investment policy in order to adapt to the new developments in its markets and ensure future growth.

However, the devaluation of some European currencies have cancelled out the positive effects of productivity gains on operating profit.

The group has stood up quite well to tough economic conditions. This can be seen through the relative stability of cash flow and operating profit in spite of a considerable increase in depreciation.

Guyomarch will pursue its efforts to enhance production capacity to ensure further development in a climate expected to remain difficult throughout Europe in 1994.

"These results are evidence of CAF's successful efforts to meet the growing demands of the charity sector"

Sir John Read  
Chairman, Charities Aid Foundation

Year end results	1993	1992
TOTAL FUNDS UNDER MANAGEMENT		
	£221.1m	£147.5m
TOTAL FUNDS RECEIVED IN YEAR		
	£163.2m	£120.2m
TOTAL FUNDS RECEIVED FOR DISTRIBUTION TO CHARITY		
	£105.1m	£96.3m
CLIENT NUMBERS		
Individual Clients	140,608	123,897
Corporate Clients	3,702	3,395
Charity Clients	2,445	1,775

Charities Aid Foundation

Registered Charity Number 269369

Copies of the Annual Report & Accounts are available from:  
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Daily Gold Fax - free sample

Free Gold Analysis Ltd  
100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971,







## CFTC stalls over regulation until reinforcements arrive

Syndicate managers say investors



have adopted this strategy as a reaction to their bad experiences with borrowers with low credit ratings in the mid-1980s.

Nevertheless, the SNB's expectation that the Swiss year-on-year inflation rate will fall below 2 per

**Antonio Shorro**

**A N O T H E R**  
authoritative study  
on off-exchange  
derivatives was  
released last week.  
Its primary finding,  
that no new regula-  
tion is needed for  
the multi-faceted  
financial instrument

The CFTC's fumbling attempts to get its arms around the OTC market demonstrate that derivatives regulation is not a hands-off affair.

Later, the agency revealed that the data it used for the most broadly-reported vehicles swaps comes directly from the International

**Laurie Morse**

Borrower	Amount m	Maturity	Coupon %	Price	Yield %	Liquidity spread bp	Swap counter
<b>ITALIAN LIRE</b>							
European Investment Bank	500bn	Nov.1996	7.625	99.54R	7.61%	+25bp-1st	Santato & Fama/ML Lux
<b>GUINDEAS</b>							
Nederlandsche Waterschapsh.	150	Jan.2009	6.25	99.90R	6.26%	-	1st. Nederlanden Bank
ABN Amro Bank	400	Jan.2009	6.25	99.80R	6.27%	+22bp-1st	ABN Amro Bank
<b>ECUS</b>							
Haltur Building Society	150	Nov.1998	5.875	99.70ER	5.84%	-	UBS
<b>PESETAS</b>							
European Investment Bank	20bn	Nov.2003	6.125	101.07	7.36%	-	Banque
<b>ESUDOS</b>							
World Bank(E)	11.6bn	Nov.1998	8.5	100.70	8.523	-25 (1st)-95	Seco Finaria/Seco Farm.
Eurofima	10bn	Dec.2000	8.875	101.00	8.67%	-	EPF
<b>SWISS FRANCS</b>							
PP Corporation(S)+F	90	Nov.1997	0.575	100	-	-	Danab Securities Bank
Nihon Nohyaku(S)+F	70	Nov.1997	0.575	100	-	-	Nikko Bank (Switz.)
Haiwado Co.(d)+F	200	Nov.1997	0.50	100	-	-	Danwa Secs.Bank(Swiz.)
Seitoku(S)+F	125	Mar.2001	1.75%	100	-	-	Honura Bank (Switz.)
Republic of Finland	300	Dec.2003	4.25	102.75	3.912	-	Credit Suisse
Sogo Co.	300	Nov.1998	4.375	101.00	4.14%	-	UBS
City Bank of Switzerland(d)	200	Nov.2003	3.00	100	-	-	UBS
Union of Vienna	120	Jan.2000	4.25	102.50	3.777	-	Swiss Bank Corp.
Shinagawa	100	Jan.2009	4.375	102.675	4.114	-	Credit Suisse
UHPF	100	Nov.2004	4.125	102.00	3.880	-	Credit Suisse
Union Bank of Switzerland(A)+F	200	Dec.2000	2.75	100	-	-	UBS

[illegible]

FT products and may be used by other selected quality companies for creating new products.

Age Group	1970	1980	1990	2000	2010	2020
0-14	20	18	15	12	10	10
15-24	15	14	13	12	11	10
25-34	12	11	10	9	8	7
35-44	10	9	8	7	6	5
45-54	8	7	6	5	4	3
55-64	6	5	4	3	2	1
65-74	4	3	2	1	1	2
75+	5	6	7	8	10	20

OCTOBER 29, 1993

**MORGAN STANLEY INTERNATIONAL**

**FT Surveys**







## Gammon wins £370m orders

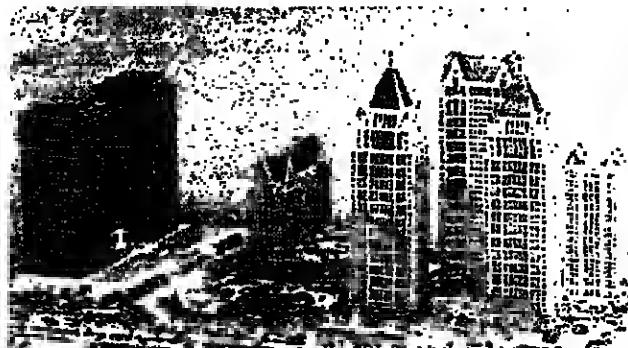
**GAMMON CONSTRUCTION**, the Hong Kong-based company jointly owned by Trafalgar House Construction and Jardine Pacific, has won orders worth £370m (HK\$4.2bn), including its first significant contract in Indonesia.

The largest orders are for two sub-contracts worth £120m on the Western Harbour Crossing for Nishimatsu Construction Company. The main contract involves the design and construction of a third immersed tube road tunnel under Hong Kong Harbour to include northern and southern approaches.

The tunnel will provide a vital link between Hong Kong Island and West Kowloon.

Gammon will construct all the land based works on Hong Kong Island - 3.5km of prestressed elevated highway structures founded on barrettes and bored piles, a 300m long cut and cover tunnel, to be formed by top down construction between diaphragm walls, numerous linking ramps and an underpass, extensive drainage and utilities.

In Indonesia, Gammon in joint operation with P T Total Bangun Persada will build the £60m Landmark III and IV



Artist's impression of the £60m Landmark buildings in Jakarta

office towers at the Landmark Centre in central Jakarta (pictured above).

The 31-month project is for developer P T Panen Subur and includes the construction of twin 24-storey office blocks above a two-level basement carpark area and a two-level podium containing retail out-

lets, carpark and extensive landscaped areas.

Other Hong Kong orders include additional power station work and building on the Dorset House development in Quarry Bay.

Gammon is already building twin office towers of 40 and 43 storeys in the bay area.

## MDI gains US hat-trick

**MORSE DIESEL INTERNATIONAL**, a 50 per cent Amec-owned US project management company, has been awarded three contracts worth \$180m (\$105m).

The largest contract, at \$117m, is for the construction management of a 27-storey, 1,263,000 sq ft, Orange County Courthouse in Orlando, Florida.

Work on the 32-month con-

tract will start on site next year and is expected to create up to 2,000 local jobs for sub-contractors, vendors and suppliers.

At Menlo Park in California, MDI's San Francisco office has been awarded a \$24.3m contract for a new drug and alcohol rehabilitation unit.

Work involves building a two-storey, 100-bed, domiciliary building for the US Depart-

ment of Veteran's Affairs. Work is due to start next month.

In Chicago, MDI has won an \$18m deal to construct a new five-storey building for the Children's Memorial Institute for Education and Research.

Due to be completed 1995, the contract will add about 70,000 sq ft of usable research facilities, nearly tripling the institution's current capacity.

## UK group rebuild in Kuwait

A £6m contract to rebuild an ammunition facility in Kuwait has been won by the **KUWAIT ANGLO DEFENCE COMPANY (KADCOL)**, a Taylor Woodrow/Wimpey joint operation.

KADCOL will repair and refurbish air-conditioned storage facilities for munitions, maintenance and testing facilities. It will also build a new administration block, and install a telemetry and security system.

## Hugh MacRae extends home

Inverness builders **HUGH MACRAE** has been awarded a £230,000 contract to carry out building work at Redwoods Nursing Home in Teaninich, Ayrshire.

The contract involves the construction of a 16-bed single-storey extension.

## Rooff designs

**ROOFF** has been awarded a £2.1m, 66-week contract to design and build 54 houses for Notting Hill Housing at West Drayton. The development comprises 21 two-bed, 30 three-bed and three four-bed houses to be shared between Notting Hill Housing Trust and Airways Housing Society.

## Work rolls in for Conder

**CONDER PROJECTS**, Miller Construction's specialist design and build business, has won a total of £12m orders in Scotland, Co. Durham, Nottingham and Surrey.

The two largest contracts are for residential accommodation - the first, valued at £7m, to construct two, three and four-storey en suite student accommodation at Nottingham Trent University.

The second contract, for Miller Conder Projects, is to build three-storey en suite accommodation and associated facilities for 118 staff and trainees at the Scottish Police College in Kincardine, Fife. Work has just commenced on site and the contract value is £3.4m.

Conder has also been hired to construct advance factory units in Co. Durham for English Estates.

## Joint venture starts on £68m hospital

**JOHN LAING CONSTRUCTION** has joined up with **JOHN PAUL CONSTRUCTION** to build the Tallaght Regional Hospital in Dublin.

Recently awarded by the Tallaght Regional Hospital Board, the contract has a value of \$88m.

Work has already started on the project and is scheduled for completion in early 1997.

The hospital is located in south-west Dublin, approximately nine miles from the city centre.

The contract is said to be the largest current single building contract in the Republic of Ireland.

The Hospital will cater for 513 patients and is to have a gross floor area of 58,000 sq metres.

Work involves the construc-

tion of wards and paramedical departments including treatment, diagnostic and medical service sections.

Also included in the project is an energy centre, workshops, residential accommodation and school of nursing with full catering facilities and ancillary works.

John Simington, managing director at John Paul Construction, said the company was extremely pleased with the award.

"The hospital adds to a strong list of public sector projects for the company since it was first set up in 1943," he said.

Brian Fitzgerald, a John Laing director, added: "The joint venture provides much in terms of experience and local knowledge."



Notice of Invitation  
by

## Salomon Brothers Inc

to holders of

## Certificates of Accrual on Treasury Securities (CATS) and Treasury Receipts (TR's)

to participate in a

## \$10,000,000,000 Tender Offer

Salomon Brothers Inc ("Salomon") is offering to purchase the CATS and TR's described below (the "Securities") upon the terms and subject to the conditions set forth in the Offer to Purchase, dated October 28, 1993 and the related Letter of Transmittal (which, together, constitute the "Offer") for the following consideration, at the option of the Securityholder, either:

(i) **Cash Price** - shall be the price resulting in a yield equal to the yield on the STRIPS security maturing on the same date as the tendered Security (or maturing on the earliest redemption date of the U.S. Treasury Bond underlying such tendered Security if such tendered Security is a "Callable CATS" or "Callable TR's"), determined on the business day following the Pro Ration Date (as defined in the Offer) in the manner described in the Offer (such price being calculated in accordance with market practice for Securities subject to this Offer and rounded to the nearest cent per \$1,000 principal amount of Securities). The yield on a STRIPS security of any maturity for purposes of calculating the Cash Price will be the average (after eliminating the high and the low quotes) of the bid yields quoted to Salomon at the close of business on the business day following the Pro Ration Date by five primary dealers in United States government securities selected at random by Salomon on such date.

(ii) **Exchange Price** - shall consist of a STRIPS security of equal face amount and maturing on the same date as the Security accepted for purchase (or maturing on the earliest redemption date of the U.S. Treasury Bond underlying such Security if such Security is a "Callable CATS" or "Callable TR's"). The STRIPS securities to be delivered in payment of the Exchange Price hereunder are Zero Coupon United States Treasury securities issued under the Separate Trading of Registered Interest and Principal of Securities program established by the U.S. Department of Treasury in 1985.

**Amount of Securities to be Purchased** - The amount of Securities of any maturity and CUSIP number to be purchased by Salomon pursuant to this Offer will be determined by Salomon, in its sole discretion, on or before six business days following the Expiration Date (the date on which such determination is made being referred to as the Pro Ration Date). It is Salomon's present intention to purchase only that face amount of Securities of each maturity and CUSIP number which, when added to Securities already owned by or otherwise available to Salomon, will enable Salomon to reconstruct the United States Treasury Bonds underlying such Securities. However, Salomon, in its sole discretion, may purchase more or less of the Securities of any maturity and CUSIP number tendered pursuant to this Offer than would be necessary to enable it to reconstruct the underlying United States Treasury Bonds as described in the preceding sentence. In the event that Salomon elects to purchase less than all of the Securities of any maturity and CUSIP number tendered pursuant to this Offer, Salomon will calculate the face amount of Securities of such maturity and CUSIP number to be purchased from each tendering Securityholder by multiplying the face amount of Securities of such maturity and CUSIP number tendered by such Securityholder by a fraction whose numerator equals the aggregate face amount of Securities of such maturity and CUSIP number to be purchased by Salomon and whose denominator equals the aggregate face amount of Securities of such maturity and CUSIP number tendered pursuant to this Offer. Such amounts, in all cases, being rounded to the nearest \$1,000. In the event that, as a result of pro ration and rounding, Salomon has accepted for purchase from any holder Securities in denominations not available for delivery by the custodian for the relevant CATS or TR's, Salomon will purchase from such holder at the Cash Price an additional amount of Securities sufficient to increase the amount purchased to the next highest multiple available for delivery by such custodian.

Salomon intends to publish the applicable Cash Price and pro ration information, if any, on Teletype and Reuters.

This Offer terminates at 5:00 p.m., New York City time, on Monday, November 22, 1993 unless this Offer is extended.

12 1/4% due 08/15/2014				13 1/4% due 05/15/2014			
Maturity	Series "S" CATS CUSIP	Series "Y" CATS CUSIP	Treasury Receipts CUSIP	Maturity	Series "P" CATS CUSIP	Series "Q" CATS CUSIP	Treasury Receipts CUSIP
2/15/94	156884-A9-9	156884-B8-9	222655-Y6-3	5/15/94	156884-QP-6	156884-UQ-9	222655-QW-5
8/15/94	156884-B2-3	156884-6C-7	222655-Y7-1	11/15/94	156884-QQ-4	156884-UR-7	222655-QX-3
2/15/95	156884-B3-1	156884-6D-5	222655-Y8-9	5/15/95	156884-QR-2	156884-US-5	222655-QY-1
8/15/95	156884-B4-9	156884-6E-3	222655-Y9-7	11/15/95	156884-QS-0	156884-UT-3	222655-QZ-8
2/15/96	156884-B5-6	156884-6F-0	222655-Z2-1	5/15/96	156884-QT-8	156884-UU-0	222655-RA-2
8/15/96	156884-B6-4	156884-6G-8	222655-Z3-9	11/15/96	156884-QU-5	156884-UV-8	222655-RB-0
2/15/97	156884-B7-2	156884-6H-6	222655-Z4-7	5/15/97	156884-QV-3	156884-UW-6	222655-RC-8
8/15/97	156884-B8-0	156884-6J-2	222655-Z5-4	11/15/97	156884-QW-1	156884-UX-4	222655-RD-6
2/15/98	156884-B9-8	156884-6K-9	222655-Z6-2	5/15/98	156884-QX-9	156884-UY-2	222655-RE-4
8/15/98	156884-C2-2	156884-6L-7	222655-Z7-0	11/15/98	156884-QY-7	156884-UZ-9	222655-RF-1
2/15/99	156884-C3-0	156884-6M-5	222655-Z8-8	5/15/99	156884-QZ-4	156884-VA-3	222655-RG-9
8/15/99	156884-C4-8	156884-6N-3	222655-Z9-6	11/15/99	156884-RA-8	156884-VB-1	222655-RH-7
2/15/00	156884-C5-6	156884-6P-8	222655-2A-9	5/15/00	156884-RB-6	156884-VC-9	222655-RJ-3
8/15/00	156884-C6-4	156884-6Q-6	222655-2B-3	11/15/00	156884-RC-4	156884-VD-7	222655-RK-0
2/15/01	156884-C7-1	156884-6R-4	222655-2B-7	5/15/01	156884-RD-2	156884-VE-5	222655-RL-8
8/15/01	156884-C8-9	156884-6S-2	222655-2C-5	11/15/01	156884-RE-0	156884-VF-2	222655-RL-6
2/15/02	156884-C9-7	156884-6T-0	222655-2D-3	5/15/02	156884-RF-7	156884-VG-0	222655-RN-4
8/15/02	156884-D2-1	156884-6U-7	222655-2E-1	11/15/02	156884-RG-5	156884-VH-8	222655-RO-2
2/15/03	156884-D3-9	156884-6V-5	222655-2F-8	5/15/03	156884-RH-3	156884-VJ-4	222655-RO-7
8/15/03	156884-D4-7	156884-6W-3	222655-2G-6	11/15/03	156884-RI-1	156884-VK-1	222655-RR-5
2/15/04	156884-D5-4	156884-6X-1	222655-2H-4	5/15/04	156884-RK-8	156884-VL-9	222655-RS-3
8/15/04	156884-D6-2	156884-6Y-9	222655-2J-0	11/15/04	156884-RL-4	156884-VM-7	222655-RT-1
2/15/05	156884-D7-0	156884-6Z-6	222655-2K-7	5/15/05	156884-RM-2	156884-VN-5	222655-RU-8
8/15/05	156884-D8-8	156884-7A-0	222655-2L-5	11/15/05	156884-RN-0	156884-VO-3	222655-RV-6
2/15/06	156884-D9-6	156884-7B-8	222655-2M-3	5/15/06	156884-RO-5	156884-VQ-8	222655-RW-4
8/15/06	156884-E2-0	156884-7C-6	222655-2N-1	11/15/06	156884-RC-3	156884-VR-6	222655-RX-2
2/15/07	156884-E3-8	156884-7D-4	222655-2P-6	5/15/07	156884-RE-1	156884-VS-4	222655-RY-0
8/15/07	156884-E4-6	156884-7E-2	222655-2Q-4	11/15/07	156884-RS-9	156884-VT-2	222655-RZ-7
2/15/08	156884-E5-3	156884-7F-9	222655-2R-2	5/15/08	156884-RT-7	156884-VU-9	222655-SA-1
8/15/08	156884-E6-1	156884-7G-7	222655-2S-0	11/15/08	156884-RU-4	156884-VV-7	222655-SB-9
2/15/09	156884-E7-9	156884-7H-6	222655-2T-8	5/15/09	156884-RV-2	156884-VW-5	222655-SC-7
8/15/09	156884-E8-7	156884-7K-6	222655-2U-5	5/15/14	156884-RW-0	156884-VX-3	131005-AD-2
8/15/14	156884-G3-6	156884-7J-1	131005-AQ-5				

To tender Securities pursuant to the Offer, a properly completed and duly executed Letter of Transmittal (or facsimile thereof), with any required signature guarantees, together with the certificates representing the Securities being tendered and any other required documents, must be transmitted to and received by the Depository at one of its addresses set forth in the Offer. All tenders of Securities pursuant to the Offer are irrevocable. There are no withdrawal rights in connection with this Offer. If you are interested in pursuing this Offer and have questions regarding how to tender your Securities please contact the Information Agent or Individuals listed below.

The Information Agent for the Offer is:

### D.F. King & Co., Inc.

37 Sun Street  
London, England EC2M 2PY  
071 247 8263 (Call Collect)

77 Water Street  
New York, NY 10005  
0101 212 669-5550 (Call Collect)

## Salomon Brothers

Contacts:

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Philip Tremmel  
Liability Management Group

Charles Parkhurst  
Juliet Glenmon  
Government Trading Desk

This announcement is made solely for the purpose of giving information about the Offer and is itself neither an offer to purchase nor a solicitation of an offer to sell these securities. The Offer is made only by the Offer to Purchase dated, October 28, 1993 and the related Letter of Transmittal.

October 28, 1993

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## CANADA

[illegible]

630	197	Albany Portland A	253	840	191	SEAC	850	2,000	12,000	Baroness	2,500	2,200	DDPA	2,440	
238	197	Babington	213	840	191	SEAC	850	2,000	12,000	Baroness	2,500	2,200	DDPA	2,440	
630	238	Chickadee	253	840	191	SEAC	850	2,000	12,000	Baroness	2,500	2,200	DDPA	2,440	
5,400	3,800	Cornell	5,260	840	191	SEAC	850	2,000	12,000	Baroness	2,500	2,200	DDPA	2,440	
630	238	Chickadee	253	840	191	SEAC	850	2,000	12,000	Baroness	2,500	2,200	DDPA	2,440	
180	60	East Atlantic	180	60	East Atlantic	180	60	East Atlantic	180	60	East Atlantic	180	60	East Atlantic	180
69,832	384	P.R. Ind. Ind.	476	722	190	SEAC	850	2,000	12,000	Baroness	2,500	2,200	DDPA	2,440	
1,256	185	Ind. Ind. Ind.	1,120	722	190	SEAC	850	2,000	12,000	Baroness	2,500	2,200	DDPA	2,440	
250	185	Ind. Ind. Ind.	1,120	722	190	SEAC	850	2,000	12,000	Baroness	2,500	2,200	DDPA	2,440	
1,000	1,050	Laurentian (A)	1,120	722	190	SEAC	850	2,000	12,000	Baroness	2,500	2,200	DDPA	2,440	
253	197	MTV A/B	253	840	191	SEAC	850	2,000	12,000	Baroness	2,500	2,200	DDPA	2,440	
640	238	New York B	640	238	New York B	640	238	New York B	640	238	New York B	640	238	New York B	640
600	234,52	Chickadee	253	840	191	SEAC	850	2,000	12,000	Baroness	2,500	2,200	DDPA	2,440	
640	238	Chickadee	253	840	191	SEAC	850	2,000	12,000	Baroness	2,500	2,200	DDPA	2,440	
402	365	Superior	402	365	Superior	402	365	Superior	402	365	Superior	402	365	Superior	402
415	365	Superior	402	365	Superior	402	365	Superior	402	365	Superior	402	365	Superior	402
229	110	Chickadee A	224	229	110	Chickadee A	224	229	110	Chickadee A	224	229	110	Chickadee A	224

FINLAND									
High	Low	October 28	Price	Index	High	Low	October 28	Price	Index
132	85	Arner A	93	132	85	Arner A	93	132	85
140	85	Arner A	93	140	85	Arner A	93	140	85
142	85	Arner A	93	142	85	Arner A	93	142	85
218	107	Huhtamäki	187	218	107	Huhtamäki	187	218	107
640	33,50	Ruusu	38	640	33,50	Ruusu	38	640	33,50

GERMANY									
High	Low	October 28	Price	Index	High	Low	October 28	Price	Index
13,300	14,500	Alto Ind.	18,500	13,300	14,500	Alto Ind.	18,500	13,300	14,500
13,300	14,500	Alto Ind.	18,500	13,300	14,500	Alto Ind.	18,500	13,300	14,500
13,300	14,500	Alto Ind.	18,500	13,300	14,500	Alto Ind.	18,500	13,300	14,500
13,300	14,500	Alto Ind.	18,500	13,300	14,500	Alto Ind.	18,500	13,300	14,500
13,300	14,500	Alto Ind.	18,500	13,300	14,500	Alto Ind.	18,500	13,300	14,500

GREAT BRITAIN									
High	Low	October 28	Price	Index	High	Low	October 28	Price	Index
13,300	14,500	Alto Ind.	18,500	13,300	14,500	Alto Ind.	18,500	13,300	14,500
13,300	14,500	Alto Ind.	18,500	13,300	14,500	Alto Ind.	18,500	13,300	14,500
13,300	14,500	Alto Ind.	18,500	13,300	14,500	Alto Ind.	18,500	13,300	14,500
13,300	14,500	Alto Ind.	18,500	13,300	14,500	Alto Ind.	18,500	13,300	14,500
13,300	14,500	Alto Ind.	18,500	13,300</					

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3,370	2,070	CSK	2,880	582	506	Kanada	633	800	415	Hopco Steel Inc., 54C	4,450	2,440	Toyco Pwr	3,400	3,68	253	Standard Trk	3.46	
1,340	995	Lafco Food	1,020	750	357	Kanamarco Corp	600	1,120	800	Hopco Shipper	1,850	6,120	1,000	Toyco Elec	2,920	1,70	698	TNT	1.76
635	445	Calsider	900	3,190	2,200	KBI Power	2,930	810	383	Hopco Stevedore	1,570	918	396	Toyco Sec	523	3,73	1,63	Telecom Corp NZ	3.62
1,330	1,270	Lonon	940	419	393	Kensat Plant	487	1,760	1,200	Hopco Signl	1,450	2,000	1,900	Toyco Rpta	852	3,20	150	Westmar	7.67
930	440	Canpac	940	4,200	1,180	Kan Corp	1,250	420	278	Hopco Supt	924	2,000	1,900	Toyco Stl	2,340	8,11	4,04	Western Mining	5.50
1,330	1,270	Lonon	940	4,200	1,180	Kan Corp	1,250	420	278	Hopco Supt	924	2,000	1,900	Toyco Stl	2,340	8,11	4,04	Western Mining	5.50
1,330	1,270	Lonon	940	4,200	1,180	Kan Corp	1,250	420	278	Hopco Supt	924	2,000	1,900	Toyco Stl	2,340	8,11	4,04	Western Mining	5.50
1,330	1,270	Lonon	940	4,200	1,180	Kan Corp	1,250	420	278	Hopco Supt	924	2,000	1,900	Toyco Stl	2,340	8,11	4,04	Western Mining	5.50
1,330	1,270	Lonon	940	4,200	1,180	Kan Corp	1,250	420	278	Hopco Supt	924	2,000	1,900	Toyco Stl	2,340	8,11	4,04	Western Mining	5.50
1,330	1,270	Lonon	940	4,200	1,180	Kan Corp	1,250	420	278	Hopco Supt	924	2,000	1,900	Toyco Stl	2,340	8,11	4,04	Western Mining	5.50
1,330	1,270	Lonon	940	4,200	1,180	Kan Corp	1,250	420	278	Hopco Supt	924	2,000	1,900	Toyco Stl	2,340	8,11	4,04	Western Mining	5.50
1,330	1,270	Lonon	940	4,200	1,180	Kan Corp	1,250	420	278	Hopco Supt	924	2,000	1,900	Toyco Stl	2,340	8,11	4,04	Western Mining	5.50
1,330	1,270	Lonon	940	4,200	1,180	Kan Corp	1,250	420	278	Hopco Supt	924	2,000	1,900	Toyco Stl	2,340	8,11	4,04	Western Mining	5.50
1,330	1,270	Lonon	940	4,200	1,180	Kan Corp	1,250	420	278	Hopco Supt	924	2,000	1,900	Toyco Stl	2,340	8,11	4,04	Western Mining	5.50
1,330	1,270	Lonon	940	4,200	1,180	Kan Corp	1,250	420	278	Hopco Supt	924	2,000	1,900	Toyco Stl	2,340	8,11	4,04	Western Mining	5.50
1,330	1,270	Lonon	940	4,200	1,180	Kan Corp	1,250	420	278	Hopco Supt	924	2,000	1,900	Toyco Stl	2,340	8,11	4,04	Western Mining	5.50
1,330	1,270	Lonon	940	4,200	1,180	Kan Corp	1,250	420	278	Hopco Supt	924	2,000	1,900	Toyco Stl	2,340	8,11	4,04	Western Mining	5.50
1,330	1,270	Lonon	940	4,200	1,180	Kan Corp	1,250	420	278	Hopco Supt	924	2,000	1,900	Toyco Stl	2,340	8,11	4,04	Western Mining	5.50
1,330	1,270	Lonon	940	4,200	1,180	Kan Corp	1,250	420	278	Hopco Supt	924	2,000	1,900	Toyco Stl	2,340	8,11	4,04	Western Mining	5.50
1,330	1,270	Lonon	940	4,200	1,180	Kan Corp	1,250	420	278	Hopco Supt	924	2,000	1,900	Toyco Stl	2,340	8,11	4,04	Western Mining	5.50
1,330	1,270	Lonon	940	4,200	1,180	Kan Corp	1,250	420	278	Hopco Supt	924	2,000	1,900	Toyco Stl	2,340	8,11	4,04	Western Mining	5.50
1,330	1,270	Lonon	940	4,200	1,180	Kan Corp	1,250	420	278	Hopco Supt	924	2,000	1,900	Toyco Stl	2,340	8,11	4,04	Western Mining	5.50
1,330	1,270	Lonon	940	4,200	1,180	K													

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1,185	800	Galeos	924	835	370	Wahkiakum	517	488	342	Seyo Electric	440
1,140	980	San Speddy	1,270	835	421	Wahkiakum	517	1,128	908	Seyo Electric	1,000
1,100	500	Good Street	530	1,190	843	Wahkiakum	517	7,250	900	Seyo Electric	6,770
1,050	1,080	Green Cross	1,130	717	510	Wahkiakum	517	11,500	9,030	Seyo Electric	9,770
758	388	Gum Chemical	698	882	825	Wahkiakum	517	4,800	2,150	Seyo Electric	1,900
738	592	Gun-Drum	708	882	825	Wahkiakum	517	1,200	1,240	Seyo Electric	1,000
				470	378	Wahkiakum	517	310	900	Seyo Electric	1,220
						Wahkiakum	517			Seyo Electric	1,220

1983				Price	
High	Low	October 26	Price	Amount	
4.65	3.45	Abrasive	4.35		

MALAYSIA			
1983	1984	1985	Price
4.65	3.45	Abrasive	4.35

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030	540	550	560	570	580	590	600	610	620	630	640	650	660	670	680	690	700	710	720	730	740	750	760	770	780	790	800	810	820	830	840	850	860	870	880	890	900	910	920	930	940	950	960	970	980	990	1000	1010	1020	1030	1040	1050	1060	1070	1080	1090	1100	1110	1120	1130	1140	1150	1160	1170	1180	1190	1200	1210	1220	1230	1240	1250	1260	1270	1280	1290	1300	1310	1320	1330	1340	1350	1360	1370	1380	1390	1400	1410	1420	1430	1440	1450	1460	1470	1480	1490	1500	1510	1520	1530	1540	1550	1560	1570	1580	1590	1600	1610	1620	1630	1640	1650	1660	1670	1680	1690	1700	1710	1720	1730	1740	1750	1760	1770	1780	1790	1800	1810	1820	1830	1840	1850	1860	1870	1880	1890	1900	1910	1920	1930	1940	1950	1960	1970	1980	1990	2000	2010	2020	2030	2040	2050	2060	2070	2080	2090	2100	2110	2120	2130	2140	2150	2160	2170	2180	2190	2200	2210	2220	2230	2240	2250	2260	2270	2280	2290	2300	2310	2320	2330	2340	2350	2360	2370	2380	2390	2400	2410	2420	2430	2440	2450	2460	2470	2480	2490	2500	2510	2520	2530	2540	2550	2560	2570	2580	2590	2600	2610	2620	2630	2640	2650	2660	2670	2680	2690	2700	2710	2720	2730	2740	2750	2760	2770	2780	2790	2800	2810	2820	2830	2840	2850	2860	2870	2880	2890	2900	2910	2920	2930	2940	2950	2960	2970	2980	2990	3000	3010	3020	3030	3040	3050	3060	3070	3080	3090	3100	3110	3120	3130	3140	3150	3160	3170	3180	3190	3200	3210	3220	3230	3240	3250	3260	3270	3280	3290	3300	3310	3320	3330	3340	3350	3360	3370	3380	3390	3400	3410	3420	3430	3440	3450	3460	3470	3480	3490	3500	3510	3520	3530	3540	3550	3560	3570	3580	3590	3600	3610	3620	3630	3640	3650	3660	3670	3680	3690	3700	3710	3720	3730	3740	3750	3760	3770	3780	3790	3800	3810	3820	3830	3840	3850	3860	3870	3880	3890	3900	3910	3920	3930	3940	3950	3960	3970	3980	3990	4000	4010	4020	4030	4040	4050	4060	4070	4080	4090	4100	4110	4120	4130	4140	4150	4160	4170	4180	4190	4200	4210	4220	4230	4240	4250	4260	4270	4280	4290	4300	4310	4320	4330	4340	4350	4360	4370	4380	4390	4400	4410	4420	4430	4440	4450	4460	4470	4480	4490	4500	4510	4520	4530	4540	4550	4560	4570	4580	4590	4600	4610	4620	4630	4640	4650	4660	4670	4680	4690	4700	4710	4720	4730	4740	4750	4760	4770	4780	4790	4800	4810	4820	4830	4840	4850	4860	4870	4880	4890	4900	4910	4920	4930	4940	4950	4960	4970	4980	4990	5000	5010	5020	5030	5040	5050	5060	5070	5080	5090	5100	5110	5
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**AUTHORISED  
UNIT TRUSTS**

**FT MANAGED FUNDS SERVICE**

[illegible]



● FT Cityline Unit Trust Prices: dial (0800) 430000, enter 4 and key in the five digit code listed below. Calls are charged at 35p/minute cheap rate and 45p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (091) 873 4370.

姓名	性别	年龄	民族	籍贯	出生地	文化程度	职业	工作单位	住址	联系电话	电子邮箱	其他
李	男	35	汉族	湖南	湖南	高中	教师	湖南	湖南	13800000000	123456789@163.com	
王	女	28	汉族	湖北	湖北	大学	医生	湖北	湖北	15000000000	987654321@163.com	
张	男	42	汉族	广东	广东	初中	工人	广东	广东	18000000000	567890123@163.com	
赵	女	31	汉族	四川	四川	高中	护士	四川	四川	19000000000	234567890@163.com	
陈	男	25	汉族	浙江	浙江	大学	程序员	浙江	浙江	17000000000	012345678@163.com	
周	女	38	汉族	江西	江西	高中	会计	江西	江西	16000000000	890123456@163.com	
吴	男	45	汉族	福建	福建	初中	农民	福建	福建	14000000000	678901234@163.com	
郑	女	29	汉族	广西	广西	大学	教师	广西	广西	13000000000	456789012@163.com	
孙	男	33	汉族	云南	云南	高中	工人	云南	云南	12000000000	345678901@163.com	
李	女	27	汉族	贵州	贵州	大学	护士	贵州	贵州	11000000000	234567890@163.com	
王	男	41	汉族	海南	海南	初中	工人	海南	海南	10000000000	123456789@163.com	
张	女	36	汉族	重庆	重庆	高中	教师	重庆	重庆	9000000000	012345678@163.com	
赵	男	24	汉族	陕西	陕西	大学	程序员	陕西	陕西	8000000000	901234567@163.com	
陈	女	39	汉族	甘肃	甘肃	高中	会计	甘肃	甘肃	7000000000	890123456@163.com	
周	男	43	汉族	宁夏	宁夏	初中	工人	宁夏	宁夏	6000000000	789012345@163.com	
吴	女	26	汉族	青海	青海	大学	护士	青海	青海	5000000000	678901234@163.com	
郑	男	34	汉族	新疆	新疆	高中	工人	新疆	新疆	4000000000	567890123@163.com	
孙	女	22	汉族	西藏	西藏	大学	教师	西藏	西藏	3000000000	456789012@163.com	
李	男	46	汉族	内蒙古	内蒙古	初中	工人	内蒙古	内蒙古	2000000000	345678901@163.com	
王	女	30	汉族	吉林	吉林	高中	护士	吉林	吉林	1000000000	234567890@163.com	
张	男	44	汉族	黑龙江	黑龙江	初中	工人	黑龙江	黑龙江	0000000000	123456789@163.com	

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## FT MANAGED FUNDS SERVICE

● FT Cytel Unit Trust Prices: deal (0891 or 0338) 430000, error 4 and key in the five digit code listed below. Calls are charged at 36p/minute cheap rate and 48p/minute at all other times. International access available by subscription only. For more details call the FT Cytel Help Desk on (071) 873 4378.

JERSEY (REGULATED) (*)									
Fund Name	ISIN	Unit Price	NAV	YTD %	1Y %	3Y %	5Y %	10Y %	15Y %
John Gower (Channel Islands) Ltd (100000)									
Channel Islands Growth Fund	JE0000000000	1.00	1.00	10.5	12.5	15.5	18.5	21.5	24.5
Channel Islands Income Fund	JE0000000000	1.00	1.00	8.5	10.5	13.5	16.5	19.5	22.5
Channel Islands Bond Fund	JE0000000000	1.00	1.00	6.5	8.5	11.5	14.5	17.5	20.5
Channel Islands Equity Fund	JE0000000000	1.00	1.00	12.5	14.5	17.5	20.5	23.5	26.5
Channel Islands Multi-Asset Fund	JE0000000000	1.00	1.00	9.5	11.5	14.5	17.5	20.5	23.5
Channel Islands Real Estate Fund	JE0000000000	1.00	1.00	7.5	9.5	12.5	15.5	18.5	21.5
Channel Islands Commodity Fund	JE0000000000	1.00	1.00	5.5	7.5	10.5	13.5	16.5	19.5
Channel Islands Hedge Fund	JE0000000000	1.00	1.00	4.5	6.5	9.5	12.5	15.5	18.5
Channel Islands Alternative Fund	JE0000000000	1.00	1.00	3.5	5.5	8.5	11.5	14.5	17.5
Channel Islands Private Equity Fund	JE0000000000	1.00	1.00	2.5	4.5	7.5	10.5	13.5	16.5
Channel Islands Venture Capital Fund	JE0000000000	1.00	1.00	1.5	3.5	6.5	9.5	12.5	15.5
Channel Islands Infrastructure Fund	JE0000000000	1.00	1.00	0.5	2.5	5.5	8.5	11.5	14.5
Channel Islands Art Collection Fund	JE0000000000	1.00	1.00	-0.5	1.5	4.5	7.5	10.5	13.5
Channel Islands Fine Art Fund	JE0000000000	1.00	1.00	-1.5	0.5	3.5	6.5	9.5	12.5
Channel Islands Wine Fund	JE0000000000	1.00	1.00	-2.5	-0.5	2.5	5.5	8.5	11.5
Channel Islands Jewellery Fund	JE0000000000	1.00	1.00	-3.5	-1.5	1.5	4.5	7.5	10.5
Channel Islands Rare Books Fund	JE0000000000	1.00	1.00	-4.5	-2.5	0.5	3.5	6.5	9.5
Channel Islands Manuscripts Fund	JE0000000000	1.00	1.00	-5.5	-3.5	-0.5	2.5	5.5	8.5
Channel Islands Antiques Fund	JE0000000000	1.00	1.00	-6.5	-4.5	-1.5	1.5	4.5	7.5
Channel Islands Collectibles Fund	JE0000000000	1.00	1.00	-7.5	-5.5	-2.5	0.5	3.5	6.5
Channel Islands Fine Furniture Fund	JE0000000000	1.00	1.00	-8.5	-6.5	-3.5	-0.5	2.5	5.5
Channel Islands Rare Coins Fund	JE0000000000	1.00	1.00	-9.5	-7.5	-4.5	-1.5	0.5	3.5
Channel Islands Stamps Fund	JE0000000000	1.00	1.00	-10.5	-8.5	-5.5	-2.5	-0.5	2.5
Channel Islands Rare Plants Fund	JE0000000000	1.00	1.00	-11.5	-9.5	-6.5	-3.5	-1.5	0.5
Channel Islands Rare Animals Fund	JE0000000000	1.00	1.00	-12.5	-10.5	-7.5	-4.5	-2.5	-0.5
Channel Islands Rare Minerals Fund	JE0000000000	1.00	1.00	-13.5	-11.5	-8.5	-5.5	-3.5	-1.5
Channel Islands Rare Metals Fund	JE0000000000	1.00	1.00	-14.5	-12.5	-9.5	-6.5	-4.5	-2.5
Channel Islands Rare Gems Fund	JE0000000000	1.00	1.00	-15.5	-13.5	-10.5	-7.5	-5.5	-3.5
Channel Islands Rare Fossils Fund	JE0000000000	1.00	1.00	-16.5	-14.5	-11.5	-8.5	-6.5	-4.5
Channel Islands Rare Bones Fund	JE0000000000	1.00	1.00	-17.5	-15.5	-12.5	-9.5	-7.5	-5.5
Channel Islands Rare Shells Fund	JE0000000000	1.00	1.00	-18.5	-16.5	-13.5	-10.5	-8.5	-6.5
Channel Islands Rare Insects Fund	JE0000000000	1.00	1.00	-19.5	-17.5	-14.5	-11.5	-9.5	-7.5
Channel Islands Rare Fish Fund	JE0000000000	1.00	1.00	-20.5	-18.5	-15.5	-12.5	-10.5	-8.5
Channel Islands Rare Birds Fund	JE0000000000	1.00	1.00	-21.5	-19.5	-16.5	-13.5	-11.5	-9.5
Channel Islands Rare Mammals Fund	JE0000000000	1.00	1.00	-22.5	-20.5	-17.5	-14.5	-12.5	-10.5
Channel Islands Rare Reptiles Fund	JE0000000000	1.00	1.00	-23.5	-21.5	-18.5	-15.5	-13.5	-11.5
Channel Islands Rare Amphibians Fund	JE0000000000	1.00	1.00	-24.5	-22.5	-19.5	-16.5	-14.5	-12.5
Channel Islands Rare Invertebrates Fund	JE0000000000	1.00	1.00	-25.5	-23.5	-20.5	-17.5	-15.5	-13.5
Channel Islands Rare Plants Fund	JE0000000000	1.00	1.00	-26.5	-24.5	-21.5	-18.5	-16.5	-14.5
Channel Islands Rare Animals Fund	JE0000000000	1.00	1.00	-27.5	-25.5	-22.5	-19.5	-17.5	-15.5
Channel Islands Rare Minerals Fund	JE0000000000	1.00	1.00	-28.5	-26.5	-23.5	-20.5	-18.5	-16.5
Channel Islands Rare Metals Fund	JE0000000000	1.00	1.00	-29.5	-27.5	-24.5	-21.5	-19.5	-17.5
Channel Islands Rare Gems Fund	JE0000000000	1.00	1.00	-30.5	-28.5	-25.5	-22.5	-20.5	-18.5
Channel Islands Rare Fossils Fund	JE0000000000	1.00	1.00	-31.5	-29.5	-26.5	-23.5	-21.5	-19.5
Channel Islands Rare Bones Fund	JE0000000000	1.00	1.00	-32.5	-30.5	-27.5	-24.5	-22.5	-20.5
Channel Islands Rare Shells Fund	JE0000000000	1.00	1.00	-33.5	-31.5	-28.5	-25.5	-23.5	-21.5
Channel Islands Rare Insects Fund	JE0000000000	1.00	1.00	-34.5	-32.5	-29.5	-26.5	-24.5	-22.5
Channel Islands Rare Fish Fund	JE0000000000	1.00	1.00	-35.5	-33.5	-30.5	-27.5	-25.5	-23.5
Channel Islands Rare Birds Fund	JE0000000000	1.00	1.00	-36.5	-34.5	-31.5	-28.5	-26.5	-24.5
Channel Islands Rare Mammals Fund	JE0000000000	1.00	1.00	-37.5	-35.5	-32.5	-29.5	-27.5	-25.5
Channel Islands Rare Reptiles Fund	JE0000000000	1.00	1.00	-38.5	-36.5	-33.5	-30.5	-28.5	-26.5
Channel Islands Rare Amphibians Fund	JE0000000000	1.00	1.00	-39.5	-37.5	-34.5	-31.5	-29.5	-27.5
Channel Islands Rare Invertebrates Fund	JE0000000000	1.00	1.00	-40.5	-38.5	-35.5	-32.5	-30.5	-28.5
Channel Islands Rare Plants Fund	JE0000000000	1.00	1.00	-41.5	-39.5	-36.5	-33.5	-31.5	-29.5
Channel Islands Rare Animals Fund	JE0000000000	1.00	1.00	-42.5	-40.5	-37.5	-34.5	-32.5	-30.5
Channel Islands Rare Minerals Fund	JE0000000000	1.00	1.00	-43.5	-41.5	-38.5	-35.5	-33.5	-31.5
Channel Islands Rare Metals Fund	JE0000000000	1.00	1.00	-44.5	-42.5	-39.5	-36.5	-34.5	-32.5
Channel Islands Rare Gems Fund	JE0000000000	1.00	1.00	-45.5	-43.5	-40.5	-37.5	-35.5	-33.5
Channel Islands Rare Fossils Fund	JE0000000000	1.00	1.00	-46.5	-44.5	-41.5	-38.5	-36.5	-34.5
Channel Islands Rare Bones Fund	JE0000000000	1.00	1.00	-47.5	-45.5	-42.5	-39.5	-37.5	-35.5
Channel Islands Rare Shells Fund	JE0000000000	1.00	1.00	-48.5	-46.5	-43.5	-40.5	-38.5	-36.5
Channel Islands Rare Insects Fund	JE0000000000	1.00	1.00	-49.5	-47.5	-44.5	-41.5	-39.5	-37.5
Channel Islands Rare Fish Fund	JE0000000000	1.00	1.00	-50.5	-48.5	-45.5	-42.5	-40.5	-38.5
Channel Islands Rare Birds Fund	JE0000000000	1.00	1.00	-51.5	-49.5	-46.5	-43.5	-41.5	-39.5
Channel Islands Rare Mammals Fund	JE0000000000	1.00	1.00	-52.5	-50.5	-47.5	-44.5	-42.5	-40.5
Channel Islands Rare Reptiles Fund	JE0000000000	1.00	1.00	-53.5	-51.5	-48.5	-45.5	-43.5	-41.5
Channel Islands Rare Amphibians Fund	JE0000000000	1.00	1.00	-54.5	-52.5	-49.5	-46.5	-44.5	-42.5
Channel Islands Rare Invertebrates Fund	JE0000000000	1.00	1.00	-55.5	-53.5	-50.5	-47.5	-45.5	-43.5
Channel Islands Rare Plants Fund	JE0000000000	1.00	1.00	-56.5	-54.5	-51.5	-48.5	-46.5	-44.5
Channel Islands Rare Animals Fund	JE0000000000	1.00	1.00	-57.5	-55.5	-52.5	-49.5	-47.5	-45.5
Channel Islands Rare Minerals Fund	JE0000000000	1.00	1.00	-58.5	-56.5	-53.5	-50.5	-48.5	-46.5
Channel Islands Rare Metals Fund	JE0000000000	1.00	1.00	-59.5	-57.5	-54.5	-51.5	-49.5	-47.5
Channel Islands Rare Gems Fund	JE0000000000	1.00	1.00	-60.5	-58.5	-55.5	-52.5	-50.5	-48.5
Channel Islands Rare Fossils Fund	JE0000000000	1.00	1.00	-61.5	-59.5	-56.5	-53.5	-51.5	-49.5
Channel Islands Rare Bones Fund	JE0000000000	1.00	1.00	-62.5	-60.5	-57.5	-54.5	-52.5	-50.5
Channel Islands Rare Shells Fund	JE0000000000	1.00	1.00	-63.5	-61.5	-58.5	-55.5	-53.5	-51.5
Channel Islands Rare Insects Fund	JE0000000000	1.00	1.00	-64.5	-62.5	-59.5	-56.5	-54.5	-52.5
Channel Islands Rare Fish Fund	JE0000000000	1.00	1.00	-65.5	-63.5	-60.5	-57.5	-55.5	-53.5
Channel Islands Rare Birds Fund	JE0000000000	1.00	1.00	-66.5	-64.5	-61.5	-58.5	-56.5	-54.5
Channel Islands Rare Mammals Fund	JE0000000000	1.00	1.00	-67.5	-65.5	-62.5	-59.5	-57.5	-55.5
Channel Islands Rare Reptiles Fund	JE0000000000	1.00	1.00	-68.5	-66.5	-63.5	-60.5	-58.5	-56.5
Channel Islands Rare Amphibians Fund	JE0000000000	1.00	1.00	-69.5	-67.5	-64.5	-61.5	-59.5	-57.5







## INVESTMENT TRUSTS - Contd

**INVESTMENT TRUSTS - Cont.**[illegible]



**INDEXED** ☐ **FILED** ☐

	79%	Dev	Dev	Dev	Dev	Dev	Dev
210	-18.5	0.0250	6 Apr	Oct	16.9	788	
212	12	-	-	-	-	3630	
216	16	-	-	-	3.4	3630	
220	18	-	-	-	-	3630	
225	-8	-	-	-	14.1	3220	
238	6.0	0.0250	20 Mar	Sept	27.7	4087	
310	7	0.0250	6 Jan	Sept	23.4	2820	
514	-	0.0270	10 Dec	Jan	23.10	-	
515	-	0.0270	15 Mar	May	21.6	2820	
220	19.0	0.0250	16 Jan	Sept	22.9	-	
739	-	0.0400	11 Apr	Sept	24.7	2820	
740	-	0.0400	11 Apr	Sept	24.7	2820	
117	-6	-	-	-	-	3521	
510*	-7.0	0.0185	6 Mar	Sept	22.8	3630	
31	-8.5	0.0250	29.9	Jan	30.5	4454	
35	8	2.8	7 Apr	Sept	3.7	1372	
80	-2.0	-	-	-	-	970	5858
618	-7.0	0.0400	21 Dec	Jan	16	1907	
624*	0.0400	1.7	16 Jan	17.12	1080		
625*	1.0	0.0105	1.6	Jan	10.1	2618	
614*	-2.0	0.0105	1.6	Jan	10.1	2618	
54	17	0.0010	9.0	Jan	10.1	2618	
55	18	0.0010	9.0	Jan	10.1	2618	
56	19	0.0010	9.0	Jan	10.1	2618	
57	20	0.0010	9.0	Jan	10.1	2618	
58	21	0.0010	9.0	Jan	10.1	2618	
59	22	0.0010	9.0	Jan	10.1	2618	
60	23	0.0010	9.0	Jan	10.1	2618	
61	24	0.0010	9.0	Jan	10.1	2618	
62	25	0.0010	9.0	Jan	10.1	2618	
63	26	0.0010	9.0	Jan	10.1	2618	
64	27	0.0010	9.0	Jan	10.1	2618	
65	28	0.0010	9.0	Jan	10.1	2618	
66	29	0.0010	9.0	Jan	10.1	2618	
67	30	0.0010	9.0	Jan	10.1	2618	
68	31	0.0010	9.0	Jan	10.1	2618	
69	32	0.0010	9.0	Jan	10.1	2618	
70	33	0.0010	9.0	Jan	10.1	2618	
71	34	0.0010	9.0	Jan	10.1	2618	
72	35	0.0010	9.0	Jan	10.1	2618	
73	36	0.0010	9.0	Jan	10.1	2618	
74	37	0.0010	9.0	Jan	10.1	2618	
75	38	0.0010	9.0	Jan	10.1	2618	
76	39	0.0010	9.0	Jan	10.1	2618	
77	40	0.0010	9.0	Jan	10.1	2618	
78	41	0.0010	9.0	Jan	10.1	2618	
79	42	0.0010	9.0	Jan	10.1	2618	
80	43	0.0010	9.0	Jan	10.1	2618	
81	44	0.0010	9.0	Jan	10.1	2618	
82	45	0.0010	9.0	Jan	10.1	2618	
83	46	0.0010	9.0	Jan	10.1	2618	
84	47	0.0010	9.0	Jan	10.1	2618	
85	48	0.0010	9.0	Jan	10.1	2618	
86	49	0.0010	9.0	Jan	10.1	2618	
87	50	0.0010	9.0	Jan	10.1	2618	
88	51	0.0010	9.0	Jan	10.1	2618	
89	52	0.0010	9.0	Jan	10.1	2618	
90	53	0.0010	9.0	Jan	10.1	2618	
91	54	0.0010	9.0	Jan	10.1	2618	
92	55	0.0010	9.0	Jan	10.1	2618	
93	56	0.0010	9.0	Jan			

Julia \_\_\_\_\_ ♥

Wk%	Ch	Dr	Dt	Dt/Sp	Last	City	
188	16	4.5	21	Jan. 4d	24.5	5202	Madison Gd
186	20	5.0	4.2	Nov. 10d	4.0	4762	Walden
184	4.3	2.0	4.3	Nov. 10d	4.0	4762	Walden
174	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
173	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
172	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
171	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
170	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
169	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
168	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
167	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
166	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
165	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
164	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
163	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
162	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
161	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
160	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
159	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
158	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
157	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
156	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
155	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
154	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
153	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
152	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
151	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
150	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
149	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
148	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
147	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
146	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
145	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
144	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
143	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
142	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
141	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
140	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
139	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
138	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
137	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
136	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
135	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
134	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
133	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
132	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
131	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
130	11	5.8	2.5	Nov. 10d	11.0	4938	Walden
129	11	5.8	2.5</				

but including estimated

371	10.5	23	Oct	Jan	73	4582
372	-21.4	23	Oct	Jan	73	4582
373	-22.5	23	Oct	Jan	73	4582
374	-22.5	23	Oct	Jan	73	4582
375	-22.5	23	Oct	Jan	73	4582
376	-22.5	23	Oct	Jan	73	4582
377	-22.5	23	Oct	Jan	73	4582
378	-22.5	23	Oct	Jan	73	4582
379	-22.5	23	Oct	Jan	73	4582
380	-22.5	23	Oct	Jan	73	4582
381	-22.5	23	Oct	Jan	73	4582
382	-22.5	23	Oct	Jan	73	4582
383	-22.5	23	Oct	Jan	73	4582
384	-22.5	23	Oct	Jan	73	4582
385	-22.5	23	Oct	Jan	73	4582
386	-22.5	23	Oct	Jan	73	4582
387	-22.5	23	Oct	Jan	73	4582
388	-22.5	23	Oct	Jan	73	4582
389	-22.5	23	Oct	Jan	73	4582
390	-22.5	23	Oct	Jan	73	4582
391	-22.5	23	Oct	Jan	73	4582
392	-22.5	23	Oct	Jan	73	4582
393	-22.5	23	Oct	Jan	73	4582
394	-22.5	23	Oct	Jan	73	4582
395	-22.5	23	Oct	Jan	73	4582
396	-22.5	23	Oct	Jan	73	4582
397	-22.5	23	Oct	Jan	73	4582
398	-22.5	23	Oct	Jan	73	4582
399	-22.5	23	Oct	Jan	73	4582
400	-22.5	23	Oct	Jan	73	4582



## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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## NYSE COMPOSITE PRICES

[illegible]**NASDAQ NATIONAL MARKET**[illegible]

## AMEX COMPOSITE PRICES

[illegible]

Cabot Med	507	55	57½	53½	57½	+1½
GasSchnap	1.54	16	155	267½	261½	+1½
CadmusCoed	0.20	13	57	114½	104½	-1½
Green Co		77	840	7		

[illegible]

Company	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603</
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## MONDAY INTERVIEW

## Tackler who can fight dirty

Sir Peter Levene, new chairman and chief executive of Canary Wharf, talks to Robert Peston

As a life-long supporter of Chelsea Football Club, Sir Peter Levene, the prime minister's personal adviser on efficiency in government, has become used to sharp reversals of fortune. Though he says that his patron Mr John Major, has lost his stomach for the forthright punishment at Stamford Bridge, Chelsea's stadium, Sir Peter continues to occupy his season ticket seat, week-in week-out, together with his three children.

Coping with Chelsea's vicissitudes is probably ideal training for his latest job, starting today, as chairman and chief executive of Canary Wharf, owner of the £2bn, east London property development.

Though Canary Wharf was conceived in the mid-1980s as London's second business centre after the City, when confidence in the future of the Docklands development in east London was at a peak, its financial difficulties led to the collapse of one of the world's most powerful property empires. Mr Paul Reichmann's group of Olympia & York companies. They also meant colossal losses for 12 commercial banks which lent Mr Reichmann \$571m for the project.

Indeed, the failure to find many tenants for the 4.3m sq ft of new office space - by next year it will be half let and the latest tenant, the Daily Mirror, was lured by the offer of rent-free offices for five years - cast a blight on the entire Docklands development.

But Sir Peter - son of a dealer in antique silver and who as an alderman of the City of London is likely to be Lord Mayor around the year 2000 - is in optimistic and combative mood: "The reality is that it's a great development. There is nowhere else in the UK where a big company can find enough space to bring together all its head-office functions in one high-quality building."

Mr Reichmann originally tried to recruit Sir Peter before Canary Wharf went into administration in 1992. With Canary Wharf out of administration last week, Sir Peter was offered the job by the banks which lent Mr Reichmann money and now own the properties.

Sir Peter says there is a vital difference between Mr Reichmann and himself: "I fight dirtier." His tough-tackling approach is evident in his role

as Mr Major's efficiency adviser and overseer of the Efficiency Unit, which he intends to retain despite taking on the Canary Wharf job. Last week there was controversy over reports that the unit plans to recommend that all state pension recipients should be issued with plastic cards to allow their identity to be checked by computer.

Although Sir Peter refused to comment on the reports, colleagues say he is lobbying hard for the scheme, which he estimates could eliminate more than \$800m a year in social security fraud. He will ruffle more feathers this week when Mr William Waldegrave, the public services minister, announces the results of the efficiency unit's most important project, the market-testing programme. This was a project launched last November whose object was to put out to tender £1.5bn of work done by government departments, from cleaning, and secretarial services to the collection of official statistics and naval surveillance operations for Customs.

In the event, several hundred million pounds of work has been subjected to the tendering process, about half being awarded to the private sector. Sir Peter is thus braced for criticism that he is not introducing competition fast enough.

Although he cannot comment until Mr Waldegrave has made his statement, colleagues say the £1.5bn target was unrealistically high, given that it was 60 times greater than the pilot programme. They do believe, however, that success depends not on how much is awarded to the private sector, but on whether the civil service has been made more efficient.

However, some private sector companies complain their bids have been obstructed by conservative department heads, who actually choose between the competing tenders, though the process is overseen by the efficiency unit.

Sir Peter is unmoved: "I have had an equal number of complaints from civil servants that we are making it too easy for the private sector. If both sides are complaining, I reckon I must have got it about right."

He has got used to measuring his success by the level of criticism he receives - and the more the better. His first government appointment came in



### 'If both sides complain I've got it about right'

1985, when he was picked to be chief of defence procurement by the then defence secretary, Mr Michael Heseltine, who became a close friend. This caused a furore as Sir Peter was chairman and managing director of a fast-growing defence contractor, United Scientific Holdings, at the time.

Civil servants were outraged that Sir Peter was being paid £35,000 a year, more than twice the rate of his predecessor. He also earned the ire of

Canary Wharf. "The DLR was so unreliable it had become a national joke," he says.

Because he "knew absolutely nothing about railways", he decided to treat the DLR as if it were "a high-tech computerised system with software which did not work", analogous to some defence projects overseen by the MoD. He recruited Mod colleagues and the trains now run smoothly.

He has reluctantly given up the DLR chairmanship now that he is at Canary Wharf. Although adept at dodging conflicts of interest, he complains that "some people actually thought that, as chairman of both, I would alter the timetable and run more trains to Canary Wharf."

He is also giving up his positions as deputy chairman and managing director at the UK operations of Wasserstein Perella, the US investment bank, though he will remain as a non-executive director.

Because he has never before worked in the property industry, he accepts that people will question his suitability for the Canary Wharf job. But Sir Peter believes his success at the DLR shows that direct experience of an industry is not vital. He also points out that the bulk of his job will be selling the attractions of the development to potential tenants. "As chairman of United Scientific my business was marketing," he says.

His initial idea is to locate "the best restaurant in London" at the top of the Canary Wharf tower, the tallest building in the UK. "It would be the sort of place where the chairman of big companies would go," he says. "Once they have been down to the site, I am sure I can persuade them of the merits of moving their companies to Canary Wharf."

His confidence is such that

defence companies by more than doubling the proportion of contracts subject to competitive tendering and then making payments to contractors conditional on the progress of projects. He says these measures led to savings of about \$300m. "When I got to the MoD, companies thought we were an easy touch. When I left, they regarded us as an awkward customer."

His "most daunting challenge", he says, came when he left the Ministry of Defence in 1991 and took over the chairmanship of the Docklands Light Railway, the new railway through London's east end to

he talks of developing the entire 90-acre site, which would mean the construction of 13m sq ft of office space in total, enough for 50,000 people.

Although he relishes the challenge at Canary Wharf, there was one job he coveted more than any other and which has now probably slipped from his grasp forever. In the autumn of 1991, he and his "good friend", Lord Weinstock, managing director of the General Electric Company, discussed a plan which would have involved GEC taking a big stake in British Aerospace and Sir Peter then joining the board of BAE, the UK's biggest defence contractor. The plan foundered on BAE's hostility and Sir Peter was disappointed, though GEC remains keen on BAE.

"I would have liked to play a part in it, because it was what I was trained to do," he says. "On the other hand, the defence industry is pretty tough at the moment, probably even tougher than the property industry."

Of breaking and jolting the Pelikan's fond, See how sweetly he puts your word onto bond.

**Pelikan**

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## California dream put on hold



MICHAEL PROWSE  
ON AMERICA

The depth of California's recession has taken most local forecasters by surprise and remains under-reported on the east coast, which is two years into an economic recovery. Californians are not exaggerating when they claim to be still ensnared in the worst downturn since the Great Depression.

The figures are strikingly bad. With an unemployment rate of 9.4 per cent, against 6.7 per cent in the US as a whole, the state faces a job challenge of European rather than American dimensions. Manufacturing employment is down 14 per cent from its peak in 1990 and is still falling. Retail sales are down about 12 per cent in real terms, three times the fall in personal incomes, suggesting a crushing of consumer confidence. In Los Angeles county, which has suffered 70 per cent of the state's job losses, the property market has suffered a London-style meltdown. A typical home in an affluent area is selling for about \$480,000 against \$670,000 in 1990, and prices may go still lower. For the first time in memory, workers are heading east for jobs.

"If you want a job this century, leave California," warns Mr Larry Kimball, head of the business forecasting unit at the University of California at Los Angeles. He does not expect the recession to bottom out until late next year and predicts the state will not regain its pre-1990 growth trend until after the turn of the century.

The outlook for Los Angeles is worse still, according to Mr Jack Kyser, chief economist at the privately funded Economic Development Corporation, based in Hollywood. In spite of an upturn in movie studios and signs of a revival in tourism as memories of the LA riot fade, he does not expect sustained job growth until 1995. In Palo Alto, a region much less affected by defence cuts, Mr Steve Levy of the usually upbeat Centre for Continuing Study of the Californian Economy is almost as pessimistic. Although activity may have

stopped declining, "there is no sign of an upturn", he says.

The grim figures are provoking an intense debate within the state. One camp sees the problems as essentially temporary: a reflection of the combined impact of several short-term shocks. The most serious is obviously the 20 per cent decline in federal defence spending in California, which has led to a drop in aerospace employment, for example, of about a third since 1990. But this was exacerbated by the bursting of the real estate bubble, the cessation of inward investment from Japan and the weakness of foreign trade. California accounts for about a fifth of US exports.

The other, gloomier view is that the difficulties, while partly cyclical, also reflect structural problems: a complacency that took root during the long years of effortless prosperity. Mr Lew Coitman, vice-chairman of BankAmerica in San Francisco, says about half the state's economic base (not just defence-related industries) is restructuring in an effort to improve productivity.

"This cycle is probably several years from being completed but it should produce a more competitive state economy," he says. The restructuring thesis helps explain the puzzling short-term weakness of service industries: instead of taking up the slack as in previous recessions, non-manufacturing jobs contracted in both 1991 and 1992 and will probably fall again this year.

The state government is wrestling with big increases in social spending that partly reflect the short-term burden

of rapid immigration. (California, with 12 per cent of the population, absorbs a third of legal immigrants to the US and about 50 per cent of illegal immigrants.) But even allowing for this, its performance until recently was poor: a steady increase in the tax and regulatory burden co-existed with a deterioration in infrastructure, educational standards and public safety. For business and individuals alike, this has made California a "bad buy".

Some pundits are defiantly optimistic. Mr Joel Kotkin, a Los Angeles TV reporter and author, claims the state is going through a healthy Schumpeterian process of "creative destruction". He translates every negative into a positive: cuts in defence jobs, for example, are good because they increase the availability of skilled manpower for rapidly growing small, high-technology companies; the fall in housing prices makes Los Angeles more affordable for the young people still flocking to the region. The public gloom reflects the influence of the industries that are dying - and thus clamouring for state or federal assistance.

Mr Kotkin may overstate his case. But why be too gloomy about the long-term prospects of a state that boasts both Silicon Valley and Hollywood, crucial players in many industries of the future such as "information superhighways"? In general California is strong in precisely the sectors - entertainment, high-tech manufacturing, professional services and foreign trade - that are likely to enjoy above-average growth in coming decades.

With the passage of a budget on time this year and enactment of important tax reforms, there are signs that Sacramento, at last, is getting its act together. Add to this the state's vast consumer market and its favourable position on the Pacific Rim (and as a gateway to Latin America) and there is surely reason to believe that the Californian dream is on hold rather than cancelled.

## Pandora's box swings open

There was not much triumphalism at Friday's European Summit marking the entry into force of the Maastricht Treaty. True, the British government gave a strangled squawk of self-congratulation at the wonderful results of its brilliance in having been ejected from the Exchange Rate Mechanism a year ago. But most leaders adopted a more modest tone.

For the Community and the treaty are both seriously short of political credibility. Maastricht was supposed to launch Europe on the road to Economic and Monetary Union; but to the average voter, the EMU programme must look not just irrelevant, but perversely damaging in the worst recession in recent memory. Worse, the Community, which has been sold primarily as a source of economic prosperity, has appeared to offer no policy response to this recession.

Unless growth returns and unemployment falls, governments are still vulnerable to the tide of nationalism and anti-Europeanism which surged in opposition to Maastricht. Chancellor Helmut Kohl and President Francois Mitterrand both remain fully committed to Maastricht. But German voters do not care for the idea of a common European currency and a large proportion of the Gaullists in the French governing majority are in reality hostile to the treaty.

It is under pressure from these anti-European Gaullists that Mr Pierre de Boisissieu is being squeezed out of his job as Economic Director at the Qual d'Orsay, essentially because he is identified as the



IAN DAVIDSON  
ON EUROPE

man who made Maastricht. In short, governments are anxious to stay right away from the kind of ideologically charged controversy about Europe which made the ratification of Maastricht such a misery. They desperately need recovery and hope, growth and jobs; they are waiting anxiously for Mr Jacques Delors' White Paper on growth and competitiveness, the plot de résistance at the full summit in December, and they would much rather avoid another upsetting debate about federalism, supranationalism and the future shape of Europe.

Such a debate is inevitable however, because the Community is facing the prospect of admitting a large number of new member states. Four west European countries from EFTA are already negotiating and hope to join by the end of next year; and a raft of other countries from central and eastern Europe are anxious to join as soon as the Community will have them.

Expansion on such a scale cannot fail, in the most general terms, to change the character of the enterprise: a Community of 25 member states, with their divergences of character and

interests, is obviously going to be radically different from the existing Community of 13. Poland is more different, in almost every way, from Holland or Belgium than they are from each other, and these differences of history and geography are deep and permanent.

The central problem of such a large Community is constitutional. There ought to be more majority voting, in order to keep open the possibility of effective decision making; but in that case more individual member states could be outvoted. In a large Community, whole groups of states with similar interests may be outvoted: the south, or the north, or the poor. In short, the unavoidable question raised by such a large Community is the old unsettled problem of federalism, or whatever you call it.

The debate now starting is not overtly between the nationalists and the federalists, but between the big countries and the small. At present the big countries have a smaller voting weight, in relation to population or GNP, than the small. This gesture of political solidarity was part of the original bargain between the six; but since all the EFTA candidates are small and most of the eastern European candidates are also small, it is now being challenged, more or less openly, by most of the big countries.

Unexpectedly, the first to make the challenge explicit has been Britain. Last week Mr Douglas Hurd, foreign secretary, argued the number of votes required to block a majority decision should be the same after enlargement as before: the equivalent of two big countries plus one small. In

theory, such a move could make majority voting more difficult, by raising the proportion of votes required for a decision. But Mr Hurd's result could also be achieved by leaving the decision-making threshold unchanged, but increasing the voting weight of the large countries.

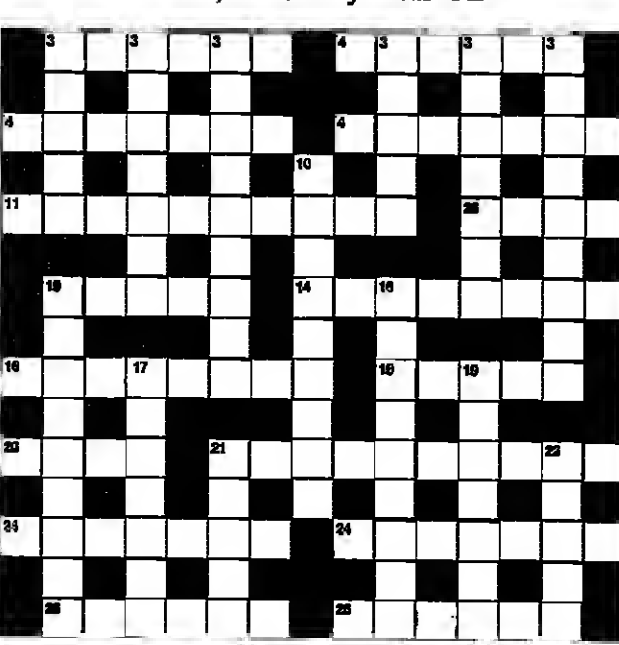
The German government appears divided on the issue, and thus paralysed. But France and Spain want a revision of voting weights. Since such a revision will anger their smaller partners and members of EFTA, they will be grateful to Britain for opening the Pandora's Box.

The small countries thought they had won a reprieve on the voting weight issue, at least until after the negotiations with the EFTA countries. But in the big countries the penny has at last dropped: once the EFTA countries get in on favourable terms, they will certainly not agree to sacrifice their voting privilege, even if they did their electorates would certainly vote down such a treaty change in the inevitable referendum. A change in the voting system must be now, or it will be never.

The voting issue is also being driven by talk about reforming the Commission. There are now 17 Commissioners, which many think is too many; most agree that 21 after enlargement would be far too many; yet no country wants to give up its Commissioners. The reason is that the Commission takes more and more of its decisions by simple majority vote, and most Commissioners tend to vote by nationality, even though the Treaty forbids it.

### CROSSWORD

No.8,294 Set by DANTE



- |  |   |
|--|---|
| <b>ACROSS</b>  | <b>DOWN</b>   |
| 1 Stroke a gander (6)                                      | 1 Lower a large cocktail (5)                                    |
| 4 Bear - with a sore head possibly? (6)                    | 2 Apart and sure to play around (7)                             |
| 8 There's a natural abhorrence for such cleaners (7)       | 3 Advanced with gunners, nervous and afraid of being shot (6-3) |
| 9 It results in a free kick for the away team (7)          | 5 Unsuitable description of those in poor health (6)            |
| 11 Nurse employed by the infantry is a newcomer (10)       | 6 Number set about making the interior jolly (7)                |
| 12 They are naturally charged for half portions (4)        | 7 Communist and German worker no longer needed (9)              |
| 13 Eccentrics seen at the bridge table (5)                 | 10 Problem - study a French instrument (9)                      |
| 14 Wrong clue man's giving for US representative (6,3) - 4 | 13 One in the club has whip-round for chess (9)                 |
| 18 Used to be in a job (6)                                 | 16 See Carol's recipe for a cooked dish (9)                     |
| 18 It's an order which sometimes perpetuates his name (5)  | 17 An older sort of man (7)                                     |
| 20 Doctor on morning rounds (4)                            | 19 Situation of a bad sailor or his boat? (2,5)                 |
| 21 Poorly valued live entertainment (10)                   | 21 It is essential to turn up at six-fifty at the outside (5)   |
| 23 A number of workers in possession (7)                   | 22 Medical substitute (5)                                       |
| 24 Book covering part of N. Africa (7)                     |   |
| 25 Demonstrate an early form of motion (8)                 |   |
| 26 Past movers, before morning found at sea (6)            |   |

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday November 13.

"Choose a good brandy.  
That way, as the  
evening wears on,  
only the anecdotes  
begin to lack taste."

BILL BRIDGESON,  
51-YEAR-OLD SURFER, CALIFORNIA



INTRODUCE SOME CALIFORNIAN INTO  
THE CONVERSATION...  
**E&J**  
SINGLE CASK MATURED BRANDY